QUARTERLY JOURNAL

Comptroller of the Currency
Administrator of National Banks

VOLUME 3
NUMBER 1

Office of the Comptroller of the Currency
March 1984

Comptroller — C. T. Conover

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Background

The Office of the Comptroller of the Currency (OCC) was established in 1863 as a bureau of the Department of the Treasury. The OCC is headed by the Comptroller who is appointed by the President, with the advice and consent of the Senate, for a 5-year term.

The OCC regulates national banks by its power to:

- Approve or deny applications for new charters, branches, capital or other changes in corporate or banking structure;
- Examine the banks;
- Take supervisory actions against banks which do not conform to laws and regulations or which otherwise engage in unsound banking practices, including removal of officers, negotiation of agreements to change existing bank practices and issuance of cease and desist orders; and
- Issue rules and regulations concerning banking practices and governing bank lending and investment practices and corporate structure.

The OCC divides the United States into geographical areas which are currently being reorganized. The reorganization began on January 1, 1983, and will take place over an 18-month period. The OCC will change the geographic boundaries of its field operations by consolidating 12 regions into six districts.

The Office is funded through assessments on the assets of national banks.

The Comptroller

C. T. Conover became the 25th Comptroller of the Currency on December 16, 1981.

By statute, the Comptroller serves a concurrent term as a Director of the Federal Deposit Insurance Corporation, a member of the Federal Financial Institutions Examination Council and a nonvoting member of the Depository Institutions Deregulation Committee.

A former management consultant, Mr. Conover has dealt extensively with commercial banks and other financial institutions and has concentrated on solving problems in the areas of strategic planning, financial management and operations improvement.

He received a B.A. degree from Yale University in 1960 and an M.B.A. in finance from the University of California at Berkeley in 1965.

The *Quarterly Journal* is the journal of record for the most significant actions and policies of the Office of the Comptroller of the Currency. It is published four times a year in March, June, September and December. The *Quarterly Journal* includes policy statements, decisions on banking structure, selected speeches and testimony, material released in the interpretive letters series, summaries of enforcement actions, statistical data and other information of interest to the administration of national banks. Suggestions, comments or questions may be sent to the Communications Division, Office of the Comptroller of the Currency, Washington, DC 20219. Subscriptions are available for $60 a year by writing to the Publications Section, Room [illegible], Office of the Comptroller of the Currency, Washington, DC 20219.

Quarterly Journal

Office of the
Comptroller of the Currency

C. T. Conover

Comptroller of the Currency

The Administrator of National Banks

Contents

Operations of National Banks

The third quarter's 7.6 percent economic growth eased fears of too fast a recovery engendered by the previous quarter's 9.75 percent growth. As the consumers' buying spree during the first half of the year gave way, in part, to businesses replenishing depleted or liquidated inventories, evidence accumulated that a classic economic recovery was underway. In fact, third quarter reports that capital equipment expenditures were up 14 percent in the first half of the year eased earlier concerns that the transition from recovery to economic expansion might be difficult.

In the third quarter, rising interest rates caused the prime rate to increase from 10 1/2 to 11 percent. The 10 1/2 percent rate held from late February to August, while spreads came under increasing pressure. Between May and August the difference between the federal funds rate and the prime rate fell 101 basis points, to a 91 point spread.

Narrower spreads combined with sluggish demand for business loans reduced national banks' average net interest margins, and the effect was felt most by smaller banks. Although total net interest income for the 384 national banks with assets of more than $300 million grew less than 1.9 percent, the comparable figure for the 4,350 smaller national banks was only 1 percent.

Although smaller national banks continued to have higher net interest income as a percent of average assets, the squeeze on interest margins affected them more than large banks. For example, for national banks with assets of less than $10 million, net interest margins declined 15 basis points in the third quarter, to reach 5.25 percent; for national banks with assets of $10 to $300 million, the decline was 7 basis points, to 4.96 percent; for national banks with assets of $300 million to $1 billion, the decline was 5 basis points to 4.49 percent; and for national banks with assets of more than $1 billion, the decline was 6 basis points, to 4.03 percent.

National banks' profitability declined during the third quarter because of lower net interest margins, larger provisions for loan losses, and, for the smaller banks, higher overhead expenses. The result was larger declines for smaller national banks

In the first nine months of 1983, national banks with total assets of less than $10 million experienced an unusually sharp decline, 20 basis points, in net income as a percent of average assets compared to first half performance. Nonetheless, their profitability, at 1.13 percent, was higher than that of larger banks. By comparison, national banks with assets in the $10 to $300 million range saw profitability decline 7 basis points to 1.09 percent, those with assets of $300 million to $1 billion registered a 4 basis point decline to 0.85 percent, and those with assets of $1 billion or more averaged a 2 basis point decline to 0.73 percent.

Net income for national banks was $2 billion in the third quarter, down 10 percent from the previous quarter. That decline was the same for large and small institutions. For the large banks, this decline represented a widening from the second quarter's .3 percent decline; for smaller banks, it represented a reversal of a slender second quarter advance

Noninterest income grew 1.3 percent in the third quarter, but that did little to overcome the negative effects on profitability. Rising provisions for loan losses, especially, took a toll. The lingering effect of the recession led to an overall increase in those provisions of 30 percent; 32 percent for large banks and 19 percent for smaller institutions. Those figures were well in excess of the second quarter increases of 6 and 13 percent, respectively.

Those increased provisions had the greatest impact on national banks with assets of $1 billion or more. The dollar increase in the provision during the third quarter for those institutions was six times the second quarter increase. Over that period, their provisions as a percent of assets increased to 0.47 percent, a 6 basis point increase.

For large national banks, cash dividends paid as a percent of net income increased from 39 percent at the end of the first half to 41 percent. Small banks had a different experience, with payout declining from 28 percent to 23 percent

Noninterest expenses such as salaries, occupancy and other overhead, increased 3.5 percent for national banks between the second and third quarters. Those expenses as a percent of assets, however, trended downward in the third quarter for all national bank size classes except those with assets of $10 million or less, which increased 2 basis points to 4.05 percent.

At the end of the third quarter, [illegible]

Assets, liabilities and capital accounts of national banks, September 30, 1982, and September 30, 1983
(Dollar amounts in millions)

	September 30, 1982 4,554 banks		September 30, 1983 4,734 banks*		Change Sept. 30, 1982–Sept. 30, 1983 Fully consolidated	
	Consolidated foreign and domestic	Domestic offices	Consolidated foreign and domestic	Domestic offices	Amount	Percent
Assets						
Cash and due from depository institutions	$ 201,122	$113,394	$ 202,623	$ 120,893	$ [illegible]	[illegible]
U.S. Treasury securities	50,841	50,681	79,300	79,192	28,459	55.98
Obligations of other U.S. government agencies and corporations	35,412	35,379	37,082	37,062	1,670	[illegible]
Obligations of states and political subdivisions	80,804	80,182	81,777	81,201	973	[illegible]
All other securities	17,305	11,540	21,269	14,773	3,964	[illegible]
Total securities	184,362	177,982	219,428	212,228	35,066	19.02
Federal funds sold and securities purchased under agreements to resell	52,378	51,829	55,002	54,777	2,624	5.01
Total loans (excluding unearned income)	709,855	572,001	752,941	619,561	43,086	[illegible]
Allowance for possible loan losses	7,730	7,509	9,005	8,768	1,275	16.49
Net loans	702,125	564,492	743,936	610,794	41,811	5.95
Lease financing receivables	10,733	8,925	11,026	9,129	293	2.73
Bank premises, furniture and fixtures, and other assets representing bank premises	19,324	18,015	21,075	19,524	1,751	9.06
Real estate owned other than bank premises	2,164	2,076	2,941	2,860	777	35.91
All other assets	75,803	80,489	75,962	85,010	159	.21
Total assets	1,248,012	1,017,002	1,331,992	1,115,215	83,980	6.73
Liabilities						
Demand deposits of individuals, partnerships and corporations	154,481	154,481	164,904	164,904	10,423	6.75
Time and savings deposits of individuals, partnerships and corporations	488,522	488,522	555,915	555,915	67,393	13.80
Deposits of U.S. government	2,026	2,026	1,858	1,858	-168	8.29
Deposits of states and political subdivisions	44,143	44,143	41,438	41,438	-2,705	6.13
All other deposits	43,710	43,710	41,668	41,668	-2,042	-4.67
Certified and officers' checks	7,346	7,346	7,693	7,693	347	4.72
Total deposits in domestic offices	740,229	740,229	813,477	813,477	73,248	9.90
Demand deposits	194,137	194,137	205,516	205,516	11,379	5.86
Time and savings deposits	546,092	546,092	607,961	607,961	61,869	11.33
Total deposits in foreign offices	214,314	0	205,827	0	-8,487	-3.96
Total deposits	954,543	740,229	1,019,304	813,477	64,761	6.78
Federal funds purchased and securities sold under agreements to repurchase	110,023	109,761	118,345	118,080	8,322	7.56
Interest-bearing demand notes issued to U.S. Treasury	13,287	13,287	13,443	13,443	156	1.17
Other liabilities for borrowed money	20,224	9,121	24,338	12,559	4,114	20.34
Mortgage indebtedness and liability for capitalized leases	1,764	1,702	1,672	1,662	-92	5.22
All other liabilities	74,227	69,198	74,344	75,684	117	.16
Total liabilities	1,174,067	943,298	1,251,445	1,034,904	77,378	6.59
Subordinated notes and debentures	3,545	3,304	3,780	3,544	235	6.63
Equity Capital						
Preferred stock	105	105	170	170	65	61.90
Common stock	13,349	13,349	14,016	14,016	667	5.00
Surplus	20,848	20,848	22,683	22,683	1,835	8.80
Undivided profits and reserve for contingencies and other capital reserves	36,099	36,099	39,898	39,898	3,799	10.52
Total equity capital	70,400	70,400	76,767	76,767	6,367	9.04
Total liabilities, subordinated notes and debentures and equity capital	1,248,012	1,017,002	1,331,992	1,115,215	83,980	6.73

* Excludes three noninsured national banks with total assets of $7 million, First National Bank of Midland, Texas, which was closed October 14, 1983 with approximately $1 billion in assets, and Deposit Insurance National Bank, Oklahoma City, Oklahoma, with total assets of approximately $6 million.

and domestic assets of national banks reached $1.3 trillion. That figure was 2.7 percent higher than at year-end 1982, and 0.5 percent higher than at mid-year 1983.

Lackluster lending opportunities led banks to continue adding to their securities portfolios at a greater rate than they added to their loan portfolios. In the third quarter total securities of national banks rose 2.3 percent while loans rose 1.5 percent. Comparable increases for the first three quarters were an 11 percent increase in securities holdings and a 3.3 percent increase in loans.

U.S. Treasury securities continued to be the most favored investment securities. As of September 30, 1983, 36 percent of the securities held by national banks were U.S. Treasury securities, up from 30 percent at year-end 1982. U.S. Treasury securities held by national banks increased 7.2 percent in the third quarter and 34.4 percent over the first three quarters.

The impact of the recent recession on asset quality was obvious in the first 9 months of 1983. Net charge-offs for large national banks were almost 50 percent higher than in the comparable period a year earlier. In the third quarter alone, large bank net charge-offs advanced 40 percent, after a 5 percent increase in the second quarter. For small banks, the experience was reversed, with a 7.8 percent third quarter increase following a 41 percent increase for the second quarter.

National banks' provisions for loan losses, $4.6 billion for the first 9 months of 1983, exceeded net charge-offs. Overall, national banks made provisions of $1.25 for every $1 charged off. That excess led to an increase in the allowance for possible loan losses of 11.5 percent during the first three quarters.

For all size classes, except national banks with assets of less than $10 million, the coverage that allowance gave to loans increased during the first 9 months of 1983. Despite the decline in the smallest banks' charge-offs relative to total loans, from 1.73 percent at year-end 1982 to 1.11 percent at the end of the third quarter, that group's rate was still almost double that of any other major size group.

For large national banks, loans or leases 90 days or more past due, renegotiated, or in nonaccrual status, which had been 2.2 percent of total loans at midyear declined to 2.1 percent at the end of the third quarter. For small national banks, the comparable figures for those nonperforming loans and leases were 3.1 percent at midyear and 2.9 percent at the end of the third quarter.

At the end of September, 561 national banks had financial, operating or compliance weaknesses that warranted special supervision. That represented a 9 percent increase from June 1983 and a 45 percent increase from year-end 1982.

The most significant change in national banks' liability structure in the third quarter was the slower growth of money market deposit accounts (MMDAs) and Super NOW accounts. MMDAs reached $127.5 billion at the end of the third quarter, an increase of 3.4 percent for the quarter. That followed a 10.3 percent increase in the second quarter. Super NOWs' growth declined from 13 percent in the second quarter to 6.5 percent for the third quarter.

National banks' equity capital increased 7 percent in the first three quarters of 1983. In combination with their 2.7 percent growth in total assets, that produced an improved capital position. Average primary capital to total asset ratios increased for all size classes of national banks over year-end 1982 levels. For national banks with less than $10 million in assets, that ratio was 11.97 percent; for those with assets of $10 to $300 million, the ratio was 9.07; for those with assets of $300 million to $1 billion, it was 7.63; and for national banks with assets of $1 billion or more, the ratio was 6.53 percent.

Walter D. Rogers
Senior Financial Analyst
Economic and Policy Analysis Division

Consolidated assets and liabilities of large* national banks, September 30, 1983
(Dollar amounts in millions)

	337 banks‡	
	Foreign and domestic offices	Domestic offices
Cash and due from depository institutions	$ 175 795	$ 94 065
U.S. Treasury securities	47 567	47 459
Obligations of other U.S. government agencies and corporations	17,961	17 941
Obligations of states and political subdivisions in the United States	54 206	53,630
Other bonds, notes and debentures	7 860	2,535
Federal Reserve stock and corporate stock	1,247	1 133
Trading account securities	10 172	9,115
Federal funds sold and securities purchased under agreements to resell	38,867	38 642
Loans, total (excluding unearned income)	616 344	482 965
Allowance for possible loan losses	7,396	7 158
Loans, net	608,949	475 807
Lease financing receivables	10,605	8,709
Bank premises, furniture and fixtures, and other assets representing bank premises	15 771	14 220
Real estate owned other than bank premises	2,221	2,141
Investments in unconsolidated subsidiaries and associated companies	1,400	345
Customers' liability on acceptances outstanding	43,564	34 646
Other assets	25 398	44,420
Total assets	1,061,583	844,807
Demand deposits of individuals, partnerships and corporations	124 986	124,986
Time and savings deposits of individuals, partnerships and corporations	382,221	382,221
Deposits of U.S. government	1,397	1,397
Deposits of states and political subdivisions in the United States	25,430	25,430
Deposits of foreign governments and official institutions	4,590	4,590
Deposits of commercial banks	35,327	35,327
Certified and officers' checks	5,778	5,778
Total deposits in domestic offices	579,729	579 729
Total demand deposits	159,467	159,467
Total time and savings deposits	420,263	420,263
Total deposits in foreign offices†	205,827	NA
Total deposits	785,556	579,729
Federal funds purchased and securities sold under agreements to repurchase	110,644	110,379
Interest bearing demand notes issued to the U.S. Treasury	11,934	11,934
Other liabilities for borrowed money	23,067	11,287
Mortgage indebtedness and liabilities for capitalized leases	1 375	1,365
Banks' liability on acceptances executed and outstanding	43,661	37,067
Other liabilities	27,016	34,952
Total liabilities	1,003,253	786 712
Subordinated notes and debentures	3,340	3 104
Preferred stock	122	122
Common stock	9,945	9 945
Surplus	16,535	16,535
Undivided profits	28,045	28 045
Reserve for contingencies and other capital reserves	343	343
Total equity capital	54 990	54,990
Total liabilities and equity capital	1 061 583	844 807

* Large national banks include all those with assets over $300 million as of either June 30, 1982 or 1981 and all national banks with foreign offices.

† Deposits in foreign offices include Edge and Agreement subsidiaries located in Puerto Rico, U.S. Virgin Islands and U.S. Trust Territories.

‡ [illegible] First National Bank of Midland, Texas, which was closed October 14, 1983, with total assets of approximately $1 billion.

Year-to-date income and expenses of large national banks, September 30, 1983*
(Dollar amounts in millions)

	337 banks†	
	Consolidated foreign and domestic	Percent distribution
Operating income		
Interest and fees on loans	$55,547.9	66.0
Interest on balances with depository institutions	7,429.3	8.8
Income on federal funds sold and securities purchased under agreements to resell	2,713.7	3.2
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	4,835.1	5.7
Interest on obligations of states and political subdivisions in the United States	2,777.4	3.3
Income from all other securities (including dividends on stock)	697.1	.8
Income from lease financing	988.2	1.2
Income from fiduciary activities	1,544.4	1.8
Service charges on deposit accounts	1,569.6	1.9
Other service charges, commissions and fees	3,264.3	3.9
Other operating income	2,803.4	3.3
Total operating income	84,170.4	100.0
Operating expenses		
Salaries and employee benefits	11,692.8	14.9
Interest on time certificates of $100,000 or more (issued by domestic offices)	8,369.5	10.7
Interest on deposits in foreign offices	14,714.7	18.8
Interest on other deposits	17,659.3	22.6
Expense of federal funds purchased and securities sold under agreements to repurchase	7,618.6	9.7
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	3,156.3	4.0
Interest on subordinated notes and debentures	239.4	.3
Occupancy expense of bank premises, net, and furniture and equipment expense	3,834.0	4.9
Provision for possible loan losses	3,825.7	4.9
Other operating expenses	7,157.4	9.1
Total operating expenses	78,267.8	100.0
Income before income taxes and securities gains or losses	5,902.6	
Applicable income taxes	1,483.4	
Income before securities gains or losses	4,419.2	
Securities gains (losses), gross	17.1	
Applicable income taxes	10.6	
Securities gains (losses), net	6.5	
Income before extraordinary items	4,425.8	
Extraordinary items, net	19.6	
Net income	4,445.3	
Cash dividends declared on common stock	2,193.9	
Cash dividends declared on preferred stock	6.9	
Total cash dividends declared	2,200.8	
Recoveries credited to allowance for possible loan losses	699.1	
Losses charged to allowance for possible loan losses	3,822.7	
Net loan losses	3,123.6	
Ratio to total operating income:		
Interest on deposits	48.4	
Other interest expense	13.1	
Salaries and employee benefits	13.9	
Other noninterest expense	17.6	
Total operating expenses	93.0	
Ratio of net income (annualized) to:		
Total assets (end of period)	.56	
Total equity capital (end of period)	10.78	

* Large national banks include all those with assets over $300 million as of either June 30, 1982 or 1981 and a[illegible] fices

† Does not include First National Bank of Midland, Texas, which was closed October 14, 1983

A Perspective on the Financial Services Sector

Newspapers almost daily headline the evolutionary upheaval underway in the financial services sector. In addition to the frenzied merger and acquisition activity among insurance companies, brokerage and investment houses, insured depository institutions, and real estate concerns, traditional non-financial companies are increasingly entering the sector. The hectic pace of these developments affords little time to contemplate the true nature and scope of the changes taking place in this sector. As legal, regulatory, technological, and social forces continue to change the balance among different types of financial institutions, understanding the evolution underway in the financial services sector will become even more difficult.

This article presents statistical information that illustrates the recent performance of the financial services sector and its component industries. The statistics provide a benchmark for analyzing the financial characteristics of this evolving sector and add some perspective on the complex changes taking place within it.

To build this statistical picture, individual industries comprising the sector were first specified. That review covered commercial banks, mutual savings banks, savings and loan associations, credit unions, securities firms, investment management companies, life insurance companies, property/casualty insurance companies, real estate brokerage firms, mortgage banks, and finance companies. Then, for each group or industry, annual statistics for 1977 to 1982 on revenues, after-tax profits, corporate assets, and equity capital were compiled from public sources or estimated. Assets and equity capital were figured at book value. Statistics for the entire sector were calculated by aggregating the individual industry estimates. (These sector and industry statistics, along with their specific data sources, estimation methodologies, and limitations are available upon request from the Economic and Policy Analysis Division.)

The Historical Performance of the Financial Services Sector

The aggregate and component statistics clearly reflect the dramatic effect of recent economic, legal, and technological forces on the financial services sector's performance and institutional structure. The unprecedented high and volatile interest rates experienced from 1979 to mid-1982, followed by the 1982 "bull" market for equities, substantially increased demand for financial products and services. As a result, the financial services sector has been one of the fastest growing sectors of the U.S. economy.

Although numerous laws and regulations have constrained depository institutions from fully participating in that growth, other competitors not subject to interest rate ceilings, geographical barriers, or product constraints, have taken full advantage of recent consumer trends and technological advances to aggressively expand their role in the sector. That expanded role has been accompanied by improved revenue and profit performance, while traditional depository institutions experienced below-average or negative returns.

Revenues

Between 1977 and 1982, aggregate revenues of the financial services sector grew at an annual compound rate of 14.4 percent, to an estimated $638 billion by year-end 1982. That growth, during a period when nominal GNP grew only 9.8 percent, vividly demonstrates the strength of the sector. That strength is also undoubtedly one of the sector's major attractions to non-financial companies seeking to enter it. Already, Parker Pen, National Steel, and Sears have pioneered a trail into the financial services marketplace.

Table 1 shows revenue growth of the sector's component industries for the period 1977 to 1982. The dramatic growth of money market funds and the

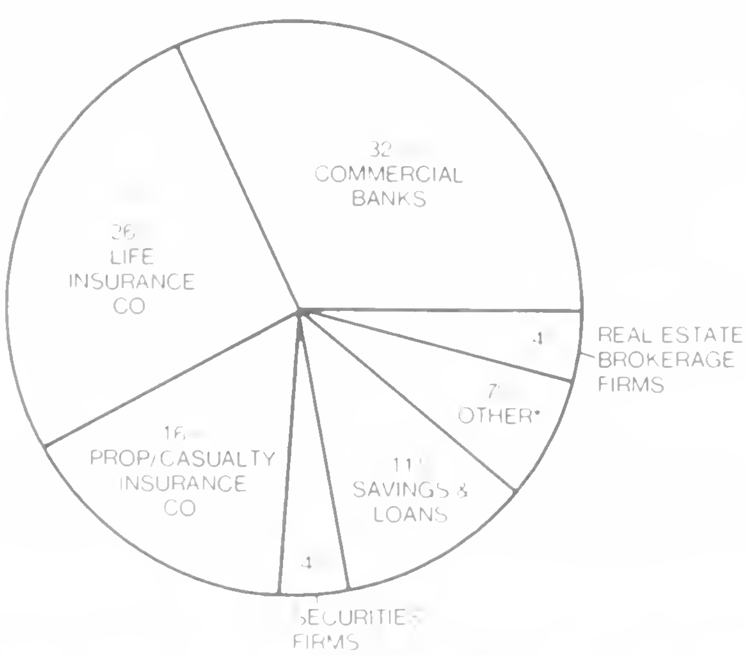
Table 1
GROWTH IN FINANCIAL SERVICES SECTOR REVENUES
1977-1982

Industry	% Increase 1977-1982	Average Annual Revenue Growth
Investment Companies	489	[illegible]
Securities Firms	[illegible]	[illegible]
Mortgage Banks	[illegible]	[illegible]
Commercial Banks	[illegible]	[illegible]
Finance Companies	[illegible]	[illegible]
Credit Unions	[illegible]	[illegible]
Savings & Loans	111	[illegible]
Life Insurance Co.	[illegible]	[illegible]
Mutual Savings Banks	[illegible]	[illegible]
Property/Casualty Insurance Co.	[illegible]	[illegible]
Real Estate Brokerage Firms	[illegible]	[illegible]

subsequent growth of equity mutual funds contributed to a phenomenal 42.6 percent annual revenue growth rate for investment companies during this period. Securities firms, mortgage banks, commercial banks, and finance companies posted average annual revenue growth rates of between 22 and 28 percent. The lowest rates, less than 10 percent, were experienced by property/casualty insurance companies and real estate brokerage firms.

Chart 1 illustrates the component industry shares of total sector revenues in 1982. As can be seen, commercial banks, with 32 percent, accounted for the greatest share of sector revenues, followed by the life insurance (26 percent), property/casualty insurance (16 percent), and the savings and loan (11 percent) industries. Together those four industries accounted for approximately 86 percent of total sector revenues.

Chart 1
1982 FINANCIAL SERVICES SECTOR REVENUE SHARES



*Includes Mortgage Banks, Finance Companies, Credit Unions, Mutual Savings Banks, and Investment Companies

Profits

In sharp contrast to the relatively high revenue growth, aggregate profits for the financial services sector deteriorated. For the sector, profits declined $4.8 billion between 1977 and 1982, a 3.5 percent annual rate. That decline reflects the poor performance of the mutual savings bank and savings and loan industries. When mutual savings banks and savings and loans are omitted, combined after-tax earnings show an annual increase of 3.7 percent.

Along with their higher revenue growth, securities firms and investment management companies exhibited the greatest profit growth from 1977 to 1982.

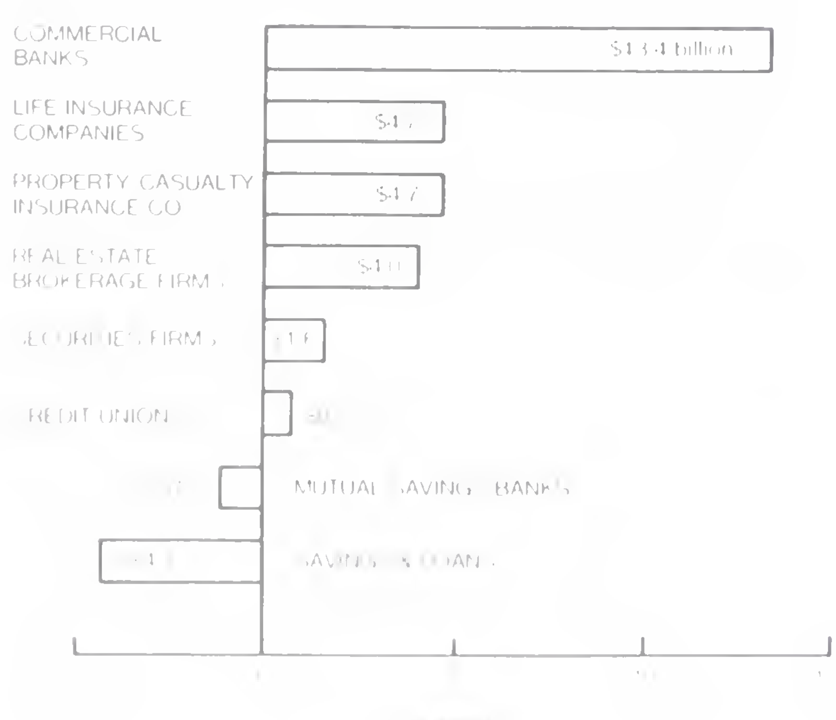
Table 2
GROWTH IN FINANCIAL SERVICES SECTOR PROFITS
1977-1982

Industry	% Increase 1977-1982	Average Annual Profit Growth
Securities Firms	[illegible]	50.2%
Investment Companies	489	42.6
Credit Unions	97	14.6
Mortgage Banks	66	10.6
Commercial Banks	63	10.2%
Life Insurance Co	40	6.8
Finance Companies	28	5.1
Property/Casualty Insurance Co	-26	-5.7
Real Estate Brokerage Firms	-40	-9.8
Savings & Loans	-234	-18.5
Mutual Savings Banks	-280	-22.9

profits of the securities brokerage industry increased at an annual compound rate of 50.2 percent, while investment company profits increased at a 42.6 percent rate. During this same period, commercial bank earnings increased at an annual rate of only 10.2 percent.

Despite their relatively slow growth rate, commercial bank profits, $13.4 billion in 1982, represented the largest share of total sector profits. As seen in Chart 2, that equaled the combined profits of the life insurance, property/casualty insurance, and real estate brokerage industries. The mutual savings bank and savings

Chart 2
1982 FINANCIAL SERVICES SECTOR PROFITS

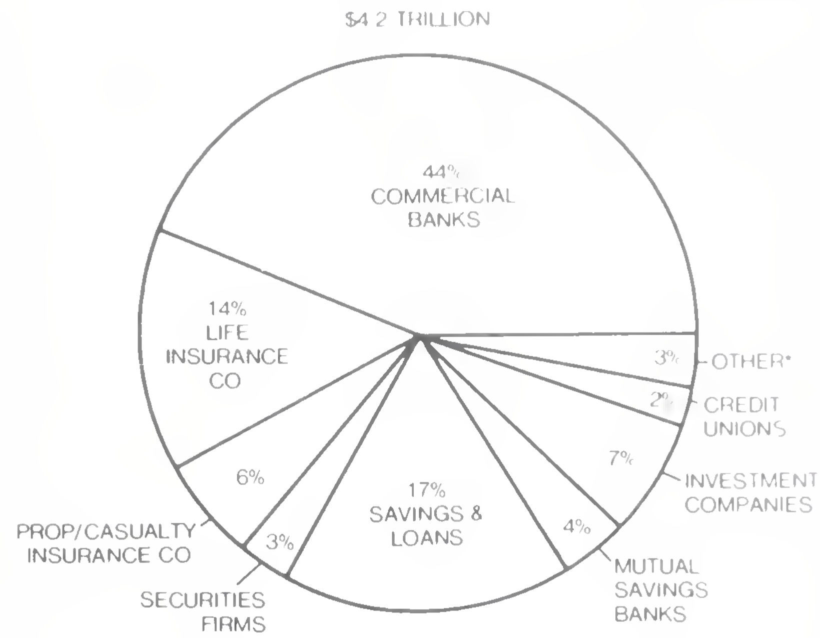


and loan industries reported net losses on an aggregate basis in 1982.

Assets

The book value of aggregate assets within the financial services sector grew an average 11.6 percent per year, from $2.4 trillion in 1977 to $4.2 trillion in 1982. As Table 3 shows, investment companies (37.5 percent) and securities firms (27.0 percent) had the highest asset growth rate of all the industries in the sector. Asset growth by depository institutions was far less dramatic. Assets of credit unions grew only 10.8 percent annually and those of commercial banks increased by 10.4 percent. During this period, savings and loans and mutual savings banks posted annual growth of 9.9 percent and 3.3 percent, respectively. Real estate brokers at 1.6 percent had the lowest average annual asset growth rate in the sector.

Chart 3
1982 FINANCIAL SERVICES SECTOR ASSET SHARES



*Includes Real Estate Brokerage Firms, Mortgage Banks, and Finance Companies

Table 3
GROWTH IN FINANCIAL SERVICES SECTOR
CORPORATE ASSETS
1977-1982

Industry	% Increase 1977-1982	Average Annual Asset Growth
Investment Companies	391%	37.5%
Securities Firms	230%	27.0%
Finance Companies	89%	13.6%
Property/Casualty Insurance Co	83%	12.9%
Life Insurance Co	67%	10.8%
Credit Unions	67%	10.7%
Commercial Banks	64%	10.4%
Savings & Loans	60%	9.9%
Mortgage Banks	36%	6.3%
Mutual Savings Banks	17%	3.3%
Real Estate Brokerage Firms	8%	1.6%

Commercial banking is the largest financial services industry in terms of total assets, accounting for approximately 44 percent of total sector assets in 1982 (see Chart 3). Other depository institutions accounted for an additional 23 percent of sector assets. As would be expected, securities firms and real estate brokers, because their services are largely fee-based, represent only minor shares of the total sector asset pie.

Summary

The financial services sector is in the midst of a tremendous transformation as depression-era barriers separating the banking, securities, and insurance industries are torn down and non-financial concerns move into the money business. Analysis of the recent performance of the sector's component industries offers a perspective on these complex changes.

While the financial services sector as a whole has been one of the fastest growing sectors of the U.S. economy, financial statistics on the sectors' component industries clearly illustrate that non-depository financial institutions have garnered a disproportionate share of that growth. During the past 5 years, investment companies and securities firms have dramatically improved both their revenues and profits. By comparison, traditional depository institutions have struggled to maintain average performance levels.

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The authors wish to acknowledge the assistance of Teressa Lazusky who was a summer intern with the Economic & Policy Analysis Division and who is now an Assistant National Bank Examiner in the Central District.

Banking Organizations and Venture Capital

The venture capital business has grown dramatically in the past few years. It has attracted more attention in financial circles than its $11 billion in total capital would seem to warrant. Stories about extraordinary rates of return from shrewd investments in technology have gotten the attention of the press and many bankers. This article provides an introduction to the venture capital industry today, looks at the specific mechanisms for bank participation, reviews the risks involved and identifies key issues that need to be addressed in bank venture capital strategies.

What is venture capital?

The term "venture capital" conjures up images of glamorous, risky, and complex deals. Industry specialists emphasize, however, that the venture capital business is not a "crap shoot." Like other investment specialties, it requires knowledge, judgment, experience, research and hard work to achieve successful results. Successful results in the venture capital business mean annual rates of return in the 20 to 50 percent range. Twenty percent of the investments account for the bulk of earnings. However, venture capital is risk capital, and industry studies also indicate that, on average, 40 percent of portfolios are partial or total losers.[1]

While the industry is becoming more and more diverse, several key characteristics are emphasized by its spokesmen. Stanley Pratt, publisher of *Venture Capital Journal*, in a 1982 statement prepared for the Joint Economic Committee, described the field as follows:

- It involves equity or other ownership potential for the venture capitalist, and possible unlimited rewards.
- It is a long-term investment discipline in which the venture capitalist usually must wait 5 to 10 years for investments to provide significant returns. Multiple infusions of funds over the period are common.
- The venture capitalist is usually actively involved in the portfolio company, thereby bringing expertise and value to the company. Although venture capitalists do not manage businesses, they advise the entrepreneurial team on all aspects of the business and help in networking.
- Venture investors provide seed, start-up, and development investments in the early stages of a new business as well as financing major growth. Generally, the venture capitalist provides funds until institutional funds can be attracted or until the company gains access to the public capital markets.

David Lobel, partner with Smith Barney Venture Capital Fund, has developed a description of the venture capital process. The first part includes development and presentation of a business plan to the potential investor by the entrepreneurial team. The second phase involves the investigation by the venture investor of the company's potential. The investigation includes rigorous assessments of:

- the personal characteristics and relevant experience of the management team;
- the target market and market potential for the product;
- the feasibility of product development and the cost and performance characteristics of the product; and
- the overall ability of the company to establish and defend its selected niche, with analysis of financial and market contingencies.

The third stage is the negotiation of terms. Finally, the fourth stage consists of the strong continuing investor-company relationship where the venture capitalist contributes judgment, financial expertise and contacts, management oversight *and* patient money.

Industry Overview

The size of the venture capital industry, both in terms of new capital commitments and estimated annual investments, has increased dramatically over the past decade. Reductions in the capital gains tax after 1978 and heightened awareness of opportunities in technology are credited with the growth of the industry. Both annual disbursements and capital commitments tripled from less than $600 million in 1978 to over $1.8 billion in 1982, according to *Venture Capital Journal*. During 1983, it is expected that as much as $3 billion will be committed (more than the total available between 1970 and 1977) and this will bring the total capital of the industry to $11 billion.[2]

[1] "Flash—Venture Capital is Risk Capital," *Venture Capital Journal*, September 1983, 1.

[2] "Special Report: Venture Capital Disbursements 1982—A Statistical Overview," *Venture Capital Journal*, June 1983, 7.

Major sources of funding for venture investing include pension funds (about 33 percent), foreign investors and individuals (each about 20 percent), insurance companies (about 13 percent), and endowments or foundations and corporations (each about 10 percent).

There are about 1,200 venture capital companies. The bulk of these firms, about 800, are private limited partnerships. Another major component of the group are 360 Small Business Investment Companies (SBICs). Approximately 60 to 70 subsidiaries of major corporations are a third group. A few SBICs and other venture firms are publicly held, gathering funds from public markets. Securities law requirements, including reporting and disclosure, however, are considered cumbersome, expensive and inhibiting by venture companies. Partnerships are generally careful to avoid them by seeking exemptions from the Investment Company Act of 1940.

While venture capitalists become involved in financing a wide range of companies in diverse industries, most involve high technology. A study by Venture Economics for the General Accounting Office concluded that between 1972 and 1982, 61 percent of venture dollars went to enterprises with products related to increasing customer productivity. Most investments involve applications of new technology, rather than research and development because investor criteria often require full-scale commercialization to be realized within 5 to 10 years.

The *Venture Capital Journal* indicates that the heavy emphasis of the business on technology-based industries continued through 1982. Approximately two-thirds of the year's investments were made in computers, communications, other electronics, industrial automation, advanced medical equipment, and genetic engineering. While the new product and technology orientation is typical of most of the venture capital companies, some have different strategies. Some venture capitalists specialize in leveraged buy-outs of established companies which include substantial amounts of secured debt, and others deal with long-term debt and equity kickers. These lower risk (but still risky) approaches yield more moderate returns and may be appropriate for a broader range of industries and companies.

Venture investments in 1982 were almost equally divided between early stage (45 percent) and later stage (44 percent) financing with 11 percent of the remaining going to specialized financing such as acquisitions or buy-outs. Early stage financing includes seed capital to prove a product idea, initial funds to complete product development and initial marketing and/or funds to initiate manufacturing and sales. Later stage financing (second, third and fourth stage financing) includes early expansion both of working capital and plant and equipment, and "bridge" financing immediately before a company goes public.

Concentration defines the industry in terms of geographic distribution of funds. California accounted for 45 percent of dollar investments in 1982. Massachusetts, Texas and New York accounted for another 26 percent.

Venture Capital Journal includes a performance index of publicly traded venture-backed stocks reflecting a wide range of quality and performance. It includes companies in which venture capitalists are still active and which went public in the past 12 years. Begun at a base of 100 on December 31, 1972, at year-end 1982 it stood at 715.73, for an average annual rate of growth of 21.75. Though the index does not capture the companies acquired or merged, it reflects close to the average return venture partnerships have experienced over the past decade.[3] As of August 1983, the index was over 1007, indicating the link between a healthy stock market (particularly for initial public offerings) and venture performance. Many venture firms hold new company stock for several years beyond the initial offerings.

Bank Roles in Venture Capital

SBICs

Small Business Investment Companies (SBICs), created by Congress in 1958, can rightfully be called the parents of today's modern venture capital industry. According to Small Business Administration (SBA) figures, they have provided $5 billion in small business capital since their creation. Banks can invest in an SBIC and operate an SBIC subsidiary. National banks may invest up to 5 percent of capital and surplus without obtaining approval from the OCC as SBICs meeting this criterion are statutory subsidiaries. Greater amounts of capital can only be invested after OCC approval. SBICs also can be subsidiaries of bank holding companies. The Small Business Administration (SBA) licenses and regulates these companies, and is authorized to provide $4.00 of government financing to leverage every $1.00 of private equity capital. When the SBA approves a request for such leverage financing, debentures are sold by the SBIC to the Federal Financing Bank at ⅛ percent over the Treasury bond rate (3, 5, or 7 years, depending on SBIC choice).

[3] *Venture Capital Journal*, March 1983, 8.

Regulations governing SBICs were rewritten and published in final form in September 1983 (13 CFR 107). SBICs are generally authorized to make investments in companies with less than $6 million in net worth and with less than $2 million in net income after taxes. SBICs can make long-term loans, invest in equities or combine loans with equity investments. SBA now requires $1 million of private capital to organize an SBIC. The SBIC may not control the companies it invests in. Potential ownership such as warrants and options is not counted, however, and temporary control is allowed in situations where serious management problems threaten the investment.

SBA reports that there were 359 SBICs by June 1983, with private capital of $830.5 million and SBA obligations of $764.6 million.[4] There were 32 new licensees in 1983. In 1983, SBICs were expected to account for more than $400 million of investments. In 1982, $160 million in leverage was committed and the same will be available in 1984. The amount of SBA financing available is not expected to expand and has not kept pace with demand. Several of the very largest bank-affiliated SBICs have utilized virtually no SBA leverage. Two examples are First Capital Corporation of Chicago and Continental Illinois Venture Corporation. However, another very large and successful firm, Norwest Growth Fund (Subsidiary of Norwest Bancorp), had $24.5 million of SBA funds for $15 million in private capital in 1982.

The 70 bank-controlled SBICs have been by far the most active and the most profitable. The seven largest bank SBICs accounted for one-third of all SBIC investments in 1982.[5] Based on a rate of return between 1976 and 1982, bank-run SBICs have been the most successful because they are larger, make less use of leverage, and have concentrated on equity investments, according to the SBA's Director for Investments, John Werner.

A special category of SBIC is the "Section 301(d) licensee," known as the Minority Enterprise Small Business Investment Company or MESBIC. MESBICs have more generous low-cost leverage positions and must limit their investments to small disadvantaged concerns defined as those "owned by a person or persons whose participation in the free enterprise system has been hampered because of social or economic disadvantages." (12 CFR 107.3) At the end of June 1983, six out of 139 MESBICs were controlled by banks and five were associated with one or more banks.

[4] *Directory of Operating Small Business Investment Companies* Small Business Administration Investment Division, June 1983 60
[5] Udazan Gupta "SBICs" *Venture*, October 1983, 66

Trust Activities

Besides managing subsidiaries licensed by SBA banks can invest in venture capital on behalf of trust customers There are two primary ways a bank could do this. First, a national bank could establish a Common Trust Fund (or Collective Investment Trust) and submit a plan to administer a "special situation" fund comprised of venture investments to the OCC Several banks have established aggressive growth funds for their trust customers, but few, if any, have used such a trust vehicle solely for early-stage investing and active venture capital management. State laws and individual trust agreements would limit this opportunity because of the lack of liquidity and inherent risk of venture investments. Trust agreements for individuals might have to waive the "prudent man rule." Major pension funds would be the most likely customers for such venture capital pools because they are able to invest a small percent of their total portfolio prudently and still comply with ERISA. However, wealthy individuals with diversified assets and a fiduciary relationship with the bank also would be appropriate customers for venture investing.

Banks could also invest in venture deals on behalf of wealthy individuals through managing agency accounts. Decisions could be made in consultation with the individual. This structure would not ease administration or spread risk, as an investment pool would

The major barrier to such trust initiatives is probably the lack of trust venture capital expertise. The structure and philosophy of most trust departments may also be inconsistent with the venture business

A more common way for trust departments that manage customers' portfolios to take advantage of venture capital opportunities is to place funds in one or more limited partnerships unaffiliated with the bank This can be done after considerable research on which firms have the best track records. Large, well-established funds are generally selected

Other Mechanisms

Another way for national banks to provide an equivalent of "venture" financing to growing companies is to provide loans with equity participation agreements (EPAs). EPAs have been used in real estate finance by banks such as Citizens and Southern National Bank of Georgia, and in financing high-technology companies by First National Bank of Boston Warrants or cash overrides may be agreed upon in conjunction with a loan, "in addition to or in lieu of interest" (OCC Interpretive Ruling 7 7312) The tax and regulatory issues involved should be reviewed carefully by a bank considering this approach Warrants cannot be

exercised by the bank and loan principal cannot be at risk.

According to OCC Interpretive Ruling 7 7480 national banks may also organize a Community Development Corporation (CDC) subsidiary or invest in a CDC outside the bank as long as the entity primarily serves a public or community purpose and not merely an entrepreneurial one. An example of CDC venture investments are those contemplated by a CDC initiated by Miami banks. The organization plans a major economic development initiative to foster minority businesses in the distressed areas of Miami that were affected by the 1980 racial disturbances. It is too soon to judge the effectiveness of the CDC in implementing this challenging strategy.

Bank Holding Company (BHC) Investments

BHCs have somewhat more flexibility than banks in selecting options for participation in venture investing. They can have two types of subsidiaries: SBICs and "5 percent funds." They can also invest directly in limited partnerships managed by general partners not controlled by the bank.

Bank holding companies can hold up to a 5 percent voting share in any other business, according to Section 4(c)6 of the Bank Holding Company Act. The provision allows bank holding companies to be passive investors in virtually any enterprise. BHCs have established venture subsidiaries that do not hold more than 5 percent of the voting stock of the companies in which they invest. According to Daniel Dye, vice president of Security Pacific Capital Corporation, BHC 5 percent funds structure venture deals with nonvoting stock or debentures. Investor rights are spelled out in debenture or preferred stock agreements to ensure that fund managers have necessary influence over the firm. These arrangements generally limit even nonvoting ownership to under 40 percent, and are closer to arm's length "lender" transactions than most private partnership deals. The BHC thus tries to avoid control concerns. Under specific conditions contained in the agreements, such as failure to meet financial obligations, the BHC fund managers can exercise more direct management control over the company. This is expected to last only as long as necessary to protect the investor's interests.

BHCs also may invest in venture capital partnerships as limited partners. This provides them no control over venture decisions and involves no management responsibility. However, it can assist the bank in gaining access to the venture information network and can [illegible]

Strategic Issues

The rapid growth of the venture industry and increasing competition for top-quality investment opportunities increase the risks for new entrants. It is generally agreed that the problem is not "too much money chasing too few deals." Venture industry spokesmen and researchers note that creative and experienced specialists would have little problem in continuing to find good investments in a wider range of industries and locations. Although no venture capital group has collapsed to date, Smith Barney's David Lobel predicts some industry shake outs in the near future. According to him, a likely candidate for failure would be a newer, relatively inexperienced smaller firm with a high funds deployment rate that increasingly spends its time dealing with troubled companies in its portfolio.

The most critical constraint faced by all venture capitalists participating in the rapid industry expansion, particularly banking affiliates, is human resources. The key ingredient for success in the venture capital business is getting excellent managers. Such managers are in very short supply. Experts have estimated there are fewer than 1,000 venture managers with a reasonable amount of experience in the business today. As funds focus increasingly on early stage investments, a firm's intense hands-on contribution may make the difference between the success or failure of its companies.

Bank organization subsidiaries are in an even more difficult position in terms of staff retention. They have relatively high turnover and their talented staff very frequently leave for more lucrative positions in existing private firms or start their own venture company. Departing staff may have dramatically increased earning opportunities as partners and garner significant earnings as tax-favored capital gains. This does not mean that banks cannot implement effective performance-based compensation programs. It only means that competition for personnel is extremely important.

The increasing competitiveness of the venture field also means regulatory constraints on banking organizations may become more cumbersome. Venture managers inside and outside banking companies emphasize that the limited ability of banking organizations to exercise control and own stock puts them at a competitive disadvantage in some types of venture deals. New kinds of arrangements must be tailored to avoid regulatory difficulties. This takes time and money and may still result in a less desirable transaction for investors than is available through private partnerships. Banks' venture strategies should recognize the kinds of transactions and types of investments most suitable for their legal structures.

The market focus, geographic location and special industry and financing expertise of the banking organization will also shape the choice of a strategy and structure for a bank's involvement in venture capital. As competition increases, differentiation and specialization of venture firms are occurring by size, investor type, industry and financing stage according to a recent survey of key trends by *Venture Capital Journal*. The high risk and intense managment involvement of seed capital financing may call for a narrow geographic focus and the establishment of facilities for shared locations and resources called "business incubators." Some firms are establishing funds to do only leveraged buy-outs. However, the increasing competition in this area has led to concerns about whether there is significant overfinancing of the assets involved.

There is a difference of opinion about how much synergy exists between banking and venture investing. Some bank venture fund managers note that they may get 20 percent of their deals from bank officer referrals. Others complain that bank officers have no sense of what makes a good venture deal and simply bring them companies that need equity. All venture fund managers, however, emphasize the importance of making independent judgments about the investment from the point of view of the venture subsidiary's goals and capabilities. They say that if the bank and the venture fund share investments and there are problems, the fund should be expected to represent its own interests.

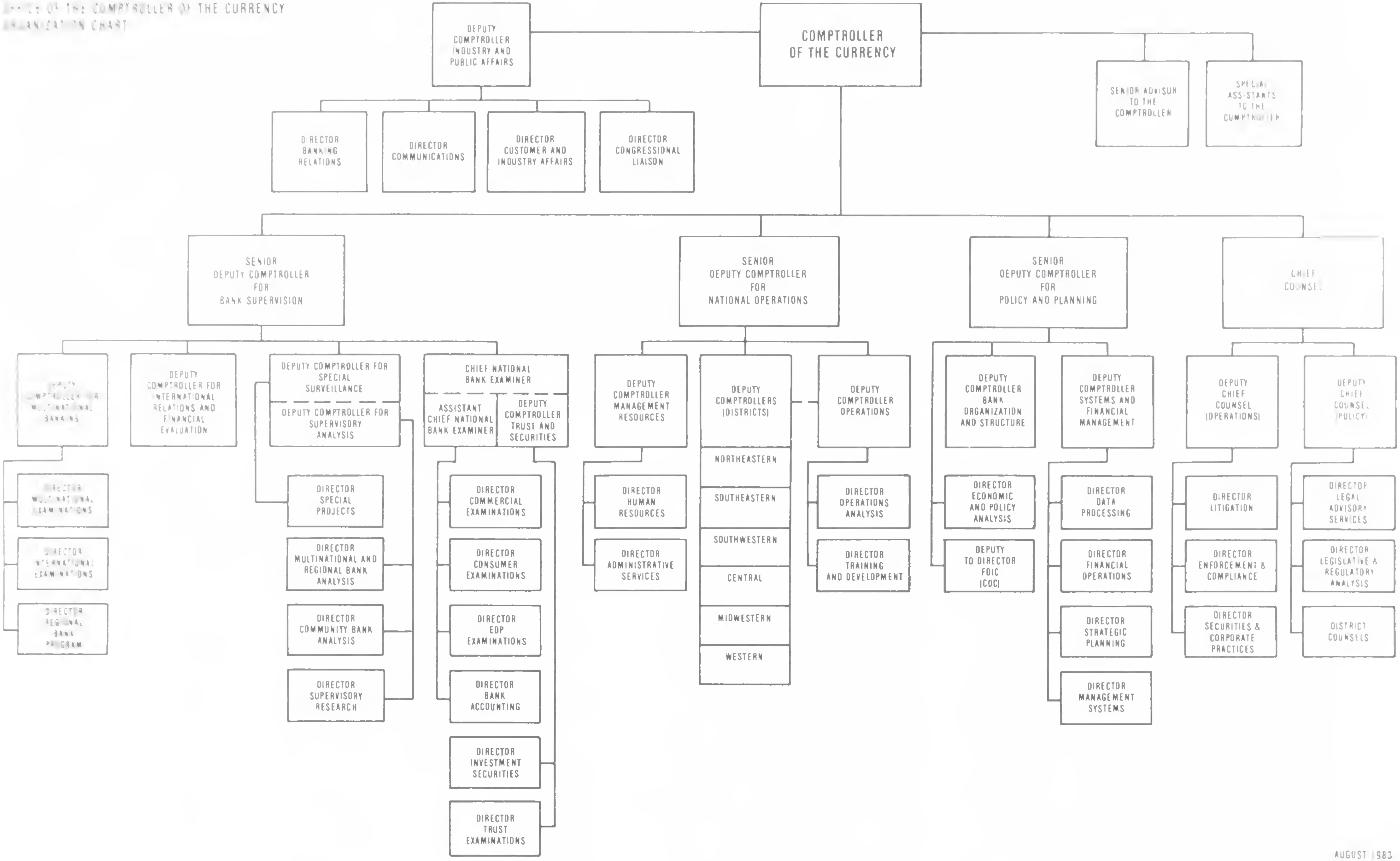
Bank of America found that it could take advantage of competitive California opportunities best by investing in outside partnerships. The manager of its SBIC and 5 percent fund, Steve Merrill, left the bank to found a partnership in which the bank was the sole limited partner. Merrill, partner in Merrill, Pickard, Anderson & Eyre, now manages $90 million in funds from a variety of sources. He believes that virtually no synergy between banking and venture capital exists.

Nevertheless, the business of banking is changing. Major bank competitors now include companies in the insurance and securities industries who are major movers in venture capital, managing pools that are significantly larger than most banks. Merrill Lynch, for example, created a $60 million pool in 1982 managed by a subsidiary limited partnership (registered with the SEC as a Business Development Company). Shares of $5,000 each were sold to the public through Merrill Lynch's retail offices. This sell-out was achieved despite customer awareness that the shares are essentially illiquid, that no secondary market would be available and that returns would be expected only in the later years of the partnership's 10-year duration. Moreover, the pool of venture money managed by the affiliate is marketed to entrepreneurs as a piece of a total financial program that includes a host of financing alternatives.

Thus, venture capital can be viewed as one more element in the broadening competition for investor interest and/or for commercial finance customers in the financial services business. This emphasizes the need for careful selection of an appropriate niche that suits the managers, the parent organization and the geographic location.

Janet R. Gordon
Community Development Specialist
Customer and Industry Affairs Division

OFFICE OF THE COMPTROLLER OF THE CURRENCY
ORGANIZATION CHART



AUGUST 1983

Comptroller's Report of Operations—1983

The Comptroller supervises and regulates national banks and federally licensed branches and agencies of foreign banks through a nationwide staff of bank examiners and other professional and support personnel. An informal Policy Group consisting of the Senior Deputy Comptroller for Bank Supervision, the Senior Deputy Comptroller for National Operations, the Senior Deputy Comptroller for Policy and Planning, the Chief Counsel, and the Deputy Comptroller for Industry and Public Affairs advises the Comptroller on the development and implementation of OCC policy. The group also discusses possible action on complex, controversial or highly sensitive issues which could significantly affect the OCC, its employees or the banking industry.

Comptroller's Staff

The Comptroller has a small personal staff that directs, coordinates and manages the day-to-day operations of his office and advises him on policy formulation and management decisions. The staff develops the framework, monitors and manages projects of special interest to the Comptroller. The Comptroller's Executive Assistant and Special Assistants act on the Comptroller's behalf in carrying out policies and directions and by providing liaison with other agencies.

Industry and Public Affairs—Under the direction of a Deputy Comptroller, who is a member of the Policy Group, the Industry and Public Affairs Department provides information to and works with those outside the OCC to further the agency's goals. It is responsible for external relations with banks and banking organizations, Congress, the public, news media, and community and consumer groups. The department includes the Communications, Customer and Industry Affairs, Banking Relations and Congressional Liaison Divisions.

Senior Deputy Comptroller for Bank Supervision

The Senior Deputy Comptroller for Bank Supervision formulates, implements and monitors bank supervisory policy. Related responsibilities include remote screening of national banks to detect trends and changes in the banking system which warrant attention, monitoring supervisory postures to ensure national consistency and participating on bank supervisory matters in the Federal Financial Institutions Examination Council. The Senior Deputy is responsible for ensuring that the OCC's examination policies and procedures are effective and dynamic enough to adequately supervise the national banks. That responsibility is effected through supervision of the offices of the Deputy Comptroller for Multinational Banking, the Deputy Comptroller for International Relations and Financial Evaluation, the Deputy Comptroller for Special Surveillance, and the Chief National Bank Examiner.

Senior Deputy Comptroller for National Operations

The Senior Deputy Comptroller for National Operations is responsible for the efficient operation of the OCC. The Senior Deputy supervises the six district offices, the Deputy Comptroller for Management Resources, the Deputy Comptroller for Operations and the Washington Office divisions of Human Resources, Administrative Services, Operations Analysis, Training and Development, Equal Employment Opportunity and the Conference Office.

The OCC will complete the reorganization of the 12 regional offices into six districts by March 1984. Each district office is headed by a Deputy Comptroller, who is assisted by a District Administrator and several District Directors.

Senior Deputy Comptroller for Policy and Planning

The Senior Deputy Comptroller for Policy and Planning advises the Comptroller on policy matters and has been delegated sole decisionmaking responsibility for national bank charter and merger applications and other national bank applications relating to corporate activities. In addition, the Senior Deputy provides staff support to the Comptroller for his activities on the Depository Institutions Deregulation Committee.

The Senior Deputy Comptroller for Policy and Planning oversees the Economic and Policy Analysis Division and coordinates the Comptroller's responsibilities as a member of the Board of Directors of the Federal Deposit Insurance Corporation.

In addition, the Senior Deputy oversees finance and budgeting, planning, management information systems, and data processing.

Chief Counsel

The Chief Counsel advises the Comptroller on legal matters arising in the administration of laws, rulings

and regulations governing national banks. The Chief Counsel directs all legal functions in and for the OCC. Legal duties involve writing and interpreting legislation; responding to requests for interpretations of statutes, regulations and rulings; defending the Comptroller's actions challenged in administrative and judicial proceedings; supporting the bank supervisory efforts of the Office and representing the OCC in all legal matters. Those responsibilities are carried out through supervision of the Enforcement and Compliance, Legal Advisory Services, Litigation, Securities and Corporate Practices, Legislative and Regulatory Analysis divisions, and an organization of counsels in the OCC's six districts.

Examination and Supervision

Multinational Banking

The Multinational Banking Department, established in 1979, is responsible for the direct supervision of the nation's largest national banks, foreign banks with Federal licenses and international examination activities. The success of centralized supervision for the largest banks led to the creation of the Regional Bank Program in late 1982. The Regional Bank Division became fully operational in mid-1983 and monitors 69 regional banking companies. As of September 30, 1983, the 12 multinational banks held assets of $520 billion, representing 39 percent of the entire national banking system. Banks in the Regional Bank Program accounted for another $400 billion, or 30 percent of the total. Aside from size, the importance of these institutions is reflected in their worldwide operations, their key role in the domestic economy and their leadership role in the evolving U.S. financial services marketplace. Because of these factors, threats to or problems arising in these institutions have the potential for serious disruption in domestic and global banking systems.

A special focus during 1983 was the institution of a program to improve the capital adequacy of the multinational banks. Through the examination process and other supervisory efforts, the department successfully encouraged the banks to develop and implement plans for reduced leverage. In view of widespread uncertainty, both domestically and internationally, the continued improvement of capital ratios remains a key objective. Coordination of guidelines for capital adequacy with the other federal banking regulators and [illegible] to ensure [illegible] under the recent [illegible]

One of the department's most important objectives is to ensure that the agency continues to enjoy the services of seasoned, highly trained professionals able to examine multinational banks. During 1983 the department sponsored a series of educational seminars covering timely issues. These sessions were attended by the multinational bank examiners-in-charge as well as by examiners expected to perform that role in the future. Other examiner development programs will continue to ensure that the department identifies and trains the personnel necessary to accomplish its objectives.

The Multinational Department makes decisions or recommendations on a wide variety of innovative corporate proposals made by the multinational and regional banks. During 1983 significant proposals considered by the department included several *de novo* bank charters in states other than the bank's home state, establishment of out-of-state national trust companies and Export Trading Companies by various banking organizations; acquisitions, by several organizations, of government, municipal and corporate securities dealers, acquisition of discount brokers as well as establishment of *de novo* discount brokerage subsidiaries, and several acquisitions of computer service companies.

The department's Multinational Examinations Division is responsible for planning, managing and following up the consolidated on-site examinations of the 12 multinational banks. In addition, the unit is the focal point for all supervision related issues for these banks including corporate licensing activities. The division has introduced several innovative processes to the agency including an automated system for tracking

examination results, a streamlined report of examination organization and format and the use of slides to supplement professional quality presentations of examination results.

The Regional Bank Division was staffed and became fully operational during 1983. The unit has responsibility for Washington-level implementation of OCC's Regional Bank Program which includes intense monitoring and, where required, special supervision of national banks considered to be regionally significant. In addition to the lead national bank in each regional company, the Washington program includes all other national banks in the company, regardless of their size, to ensure consistent supervisory treatment of the entire corporate entity. There are now 69 regional companies in the Washington program, with total assets exceeding $400 billion. This represents nearly 600 individual national bank subsidiaries, 90 of which individually have total assets exceeding $1 billion.

Among the major initiatives of the Regional Bank Division in 1983 was the redefinition of the regional banking population to be monitored from Washington and a joint effort with OCC's Districts and other Washington divisions to develop and refine supervisory techniques for this group of institutions. One such technique has been improved communications with multi-bank holding company management to promote internal correction of deficiencies in subsidiaries and reduce the demand on OCC's resources in dealing with individual units of these companies. When enforcement action is necessary involving any national bank in a regional company, the division coordinates and participates in all Washington-level activity connected with the action.

The International Banking Activities Division supervises the international activities of U.S. banks and the domestic activities of federally licensed branches and agencies of foreign banks. The unit is also responsible for the London-based operations of the OCC. During 1984 the unit will coordinate and help prepare regulations implementing legislation on supervision of international lending by banks contained in the International Lending Supervision Act of 1983.

International Relations and Financial Evaluation

The Department of International Relations and Financial Evaluation was established in August 1983 to enable the OCC to identify and respond more effectively to the risks flowing from the national banking system's international activities. The department is responsible for collecting and analyzing data on banks' foreign exposures. It regularly monitors events and economic conditions in those countries where national banks have significant cross-border exposures. When necessary, it provides recommendations to the Comptroller, other government agencies, and the Congress on policies, regulations, legislation, or other appropriate actions with respect to the international activities of national banks.

The department is responsible for OCC's participation in the Interagency Country Exposure Review Committee, a committee composed of representatives from each of the three federal banking agencies. The Committee meets three times each year to evaluate and, when appropriate, classify the transfer risk associated with exposures to countries which have been experiencing difficulty servicing their external debt. The department disseminates the results of the Committee's deliberations to affected national banks.

Finally, the department is responsible for OCC's international relationships with other U.S. government and multilateral agencies, bank supervisors in other countries, and other members of the international financial community so that the OCC may share the information available through those bodies, and foster the development of a more effective mechanism for supervising the international banking system.

Special Surveillance

Special Projects

The Special Projects Division is the OCC's focal point for supervision of banks which require increased attention. The division helps problem institutions return to a satisfactory condition and, if necessary, supervises the closing of those institutions which become insolvent. One of the division's chief responsibilities is to identify banks that require special supervisory attention. The division analyzes the banks' problems, identifies the causes, and ensures that remedial measures are undertaken. In addition, the division monitors and participates in district followup on the implementation of corrective measures.

National banks in the division's program include those with composite ratings of 3, 4, or 5, with the exception of banks overseen by the Multinational Banking Department or the Regional Bank Division. All banks operating under a Memorandum of Understanding, a Formal Agreement, or a Cease and Desist Order are monitored, regardless of their composite ratings. Banks with inherent or suspected problems are also included.

If enforcement action is necessary, the Chief Counsel's Enforcement and Compliance Division works closely with the Special Projects Division and the

district office to prepare legal documents and deliver them to bank directors. In 1983, the division handled [illegible] formal and informal administrative actions, and supervised 9 bank closings. Six of the closings were followed by a purchase of assets and assumption of liabilities, two were payouts of insured depositors, and one involved the transfer of deposits to another bank under an infrequently used agency agreement. Special Projects examiners attended over 160 meetings with boards of directors of troubled institutions and participated in developing information for congressional testimony. Special Projects personnel also assisted in other OCC studies and task forces, and served as instructors in OCC continuing education programs.

Supervisory Analysis

During 1983, the financial analysis and surveillance divisions were combined under a newly created unit, Supervisory Analysis. The Deputy Comptroller for Supervisory Analysis is responsible for the Supervisory Research, Community Bank Analysis and Multinational and Regional Bank Analysis Divisions.

Supervisory Analysis is responsible for developing supervisory information systems and off-site monitoring of national banks. The department is supervised by the Deputy Comptroller for Special Surveillance and managed by the Deputy Comptroller for Supervisory Analysis.

Supervisory Research is a new division which will identify, research and develop new systems to improve OCC's supervisory process. The division will direct the consolidation and organizational data resources, decision-support systems, and application development. In addition, techniques and systems that may enhance the supervisory process will be researched and evaluated for possible OCC use.

Community Bank Analysis was formed from the NBSS Division. The role of the division has changed dramatically to reflect new oversight responsibilities resulting from regional reorganization. The division is still responsible for the National Bank Surveillance System enhancements and support to the district offices. However, the division's approach has changed from individual bank analysis to macroanalysis of the financial industry with emphasis on statistical and narrative data on community banks. The division will review specific industries or economic sectors that warrant attention by OCC's examining staff.

Multinational and Regional Bank Analysis is the primary [illegible] analytical techniques and information [illegible] staff and senior management [illegible] The division is also responsible for developing new ways to analyze multinational and regional banking companies. During 1983, the division developed the Regional Bank Information System which is a sophisticated monitoring and examination tracking system for regional banking companies.

Chief National Bank Examiner

The Office of the Chief National Bank Examiner formulates, implements and monitors policy for banks with assets of less than $1 billion. Reporting to the Chief National Bank Examiner are the Assistant Chief National Bank Examiner and the Deputy Comptroller for Trust and Securities. The Assistant Chief National Bank Examiner oversees Commercial Examinations, Consumer Examinations, EDP Examinations and Bank Accounting. The Deputy Comptroller for Trust and Securities is responsible for the Trust Examinations and Investment Securities Divisions.

Commercial Examinations

The Commercial Examinations Division identifies issues and trends in the financial services industry, develops national policies for commercial examinations and bank supervision, and evaluates the effectiveness of and compliance with national policies and procedures.

The division performs technical research and conducts special projects which support the development of examination policies and procedures. Division personnel continuously review and update policies and procedures relating to bank supervision and the commercial examination process. In addition, the division prepares congressional testimony, speeches, correspondence and reports.

The Commercial Examinations Division revises and updates the *Comptroller's Handbook for National Bank Examiners*. Division personnel analyze changes in banking operations and the financial services industry to develop new or revised examination procedures and supervisory policies. The *Handbook* is revised semiannually. The division also functions as liaison with other regulatory agencies, the banking industry and related groups on matters relating to supervisory and examination policy and procedures.

Commercial Examinations Division personnel participated in developing regulations implementing the Garn-St Germain Act of 1982. The regulations involved the legal lending limit, real estate loans and insider lending and disclosure.

The division researched and proposed changes to the capital adequacy guidelines during 1983. Changes in

Interpretive Ruling 7.1100 made the definition of capital uniform for statutory and adequacy purposes. The division also researches and analyzes activities such as brokered deposits, loan participations and agricultural credit classifications. Examining bulletins and circulars were issued on coordination and development of the examination scheduling policy and other examination related matters.

The division administers the Shared National Credit Program. This program provides a uniform national review of loans of $20 million or more when the credit is shared by two or more banks. The 1983 Uniform Review of Shared National Credits began in May and was the most extensive since the program began in 1975. Simultaneous reviews by the Federal Reserve Board, the Federal Deposit Insurance Corporation and the OCC covered 1,950 shared credits which aggregated $294 billion. This amount represents approximately 27 percent of all domestic commercial bank credit.

The Commercial Examinations Division also monitors the effectiveness and application of the Annual Review and Visitation (ARV). The ARV combines an analysis of the bank with a bank visitation program to identify any significant changes in the bank, investigate the effect of any changes and arrive at a conclusion about the bank's condition. Procedures to monitor the effectiveness of the ARV and identify weaknesses in the process were developed during 1982. An evaluation in 1983 determined that the ARV is effective.

The division administers the civil money penalty process. Division personnel are responsible for making recommendations on the propriety of all civil money penalty matters for 1 and 2 rated banks. In addition, the division issues monthly reports for management's use on the status of each referral.

The development of the Community Bank Examination (CBE) was an inter-divisional project led by the Commercial Examinations Division. The CBE integrates the commercial, trust, EDP, consumer and international examining procedures for banks with less than $1 billion in total assets and serves as a comprehensive on-site examination tool to assess the condition of the bank. Another joint CNBE staff project was the development of procedures to monitor the effectiveness of supervisory and examination policies and procedures. Personnel also participated in the field test and follow-up evaluation and revision of the procedures

Consumer Examinations

The Consumer Examinations Division is responsible for ensuring that national banks achieve a high level of compliance with consumer protection and fair lending laws. The division develops examination procedures and policies, monitors national bank compliance with consumer laws and regulations and assists in consumer compliance examiner training. In addition the division supervises the administrative enforcement process for banks requiring more than normal supervisory attention as a result of non-compliance with consumer protection laws. The division's staff gives technical assistance to examiners and bankers and administers the OCC's consumer complaint program. The division also reviews corporate applications received from banks with a less than satisfactory performance under the Community Reinvestment Act

In early 1983 a completely revised *Comptroller's Handbook for Consumer Examinations* was published and distributed. The revised *Handbook* incorporated updates of regulations and new information that will assist field examiners in meeting their responsibilities and should assist banks in managing their compliance programs. A supplement to this *Handbook* was issued in late 1983 to reflect additional changes in laws, regulations, and procedures. Such supplements are anticipated annually.

In late 1983, the division sponsored an advanced Consumer Compliance Seminar. Participants included experts from banks, bank holding companies, consulting firms, law firms, other government agencies and the OCC. The topics addressed included credit scoring, the effects tests and signature requirements and a general update of the Equal Credit Opportunity Act, the effects of the Community Reinvestment Act, a discussion of compliance systems and the OCC's examination approach; and a review of the Truth-in-Lending Act.

Revised consumer complaint processing procedures were implemented in July and require first-time complaints of a routine nature to be forwarded to the bank for response directly to the customer. A copy of the bank's response is to be forwarded to the OCC where it is reviewed for adherence to the appropriate laws and regulations. The new procedures should reduce the individual complaint resolution time while maintaining a proper level of regulatory overview

The division director served as the Chairman of the Federal Financial Institutions Examination Council's (FFIEC) Consumer Compliance Task Force in 1983. The Task Force initiated and developed a report to be disseminated to consumer interest groups covering further disclosure of Community Reinvestment Act (CRA) data and is in the process of compiling information on the financial regulatory agencies' consumer complaint areas. The information will be collected and included in a consumer information pamphlet. Division

staff also served on the FFIEC's Fair Lending, Community Reinvestment Act, Home Mortgage Disclosure Act, and Complaint Process subcommittees

Staff members also served as instructors in a number of agency and industry sponsored schools and also provided assistance in the interpretation of consumer and fair lending regulations

Special Assistant for Fair Lending—The Special Assistant for Fair Lending works closely with the Consumer Examinations Division. The Special Assistant is a policy advisor who helps identify and initiate program and procedural changes which may strengthen the OCC's overall responsiveness to fair lending issues. Responsibilities include evaluating and monitoring examination procedures to determine the extent of banks' compliance with fair lending laws and regulations and recommending specific corrective actions for banks that may not be in compliance. The Special Assistant is the OCC's primary representative in fair lending matters, and serves as liaison with other regulatory agencies, with civil rights organizations, with the Departments of Justice and Housing and Urban Development, and with other public and private organizations.

During 1983 the Special Assistant for Fair Lending conducted a comprehensive review of the Fair Housing Home Loan Data System. The data system facilitates monitoring high-volume mortgage lenders for compliance with fair lending regulations. The review resulted in a new computer program to analyze the data more efficiently and effectively. Work was begun during 1983 on how to allocate fair lending examination resources more effectively using information from sources other than national banks. Procedures targeting fair lending examination efforts will be tested in 1984.

EDP Examinations

The EDP Examinations Division develops examination policies and procedures, performs research and environmental scanning, maintains industry liaison, and provides technical and training support to other OCC divisions. It has oversight responsibility for the supervision of data centers in national banks and nonbank data centers that offer computer services to national banks. The division is responsible for supervising the largest Multiregional Data Processing Servicers (MDPS). Additionally, it provides direct support to the Multinational and International Divisions on domestic and overseas EDP examinations.

During 1983, the division devoted significant time to [illegible] the Bank Technology and Telecommunications (BaTT) Task Force. The division coordinates the BaTT task force activities, provides leadership for the task force working group and represents the basic core of resources for task force projects. The task force assesses emerging technologies and product innovations in the banking industry and determines the implications for the OCC in terms of expertise, supervisory programs and issues requiring a change in policy.

The division also contributed to the evaluation, development and implementation of MIS systems for the OCC in 1983 and was involved in the selection of microprocessor hardware and software for examiner use.

During the year the division participated in several inter-divisional projects, such as the CBE Examination and Quality Control Programs. Another joint effort for 1983 involved a new approach to examining banks that provides for banks to be evaluated functionally based on areas of supervisory concern. Each function would be examined as a system involving all departments within a bank. This approach may assist an examiner in assessing the condition of a bank much more quickly based on conditions found and reliable work performed by others. Development and study of this systems approach to examining will continue in 1984.

Due to the rapid advancements in technology, industry liaison continued to be an important division activity for 1983. The division represented the OCC on several national committees and assisted in producing the following publications: "Control Guidelines for Funds Transfer," "Microcomputers in Banking," "Control Guidelines for Service Bureaus." A number of speeches and presentations were made to trade associations, user groups and industry representatives.

Bank Accounting

The Bank Accounting Division establishes accounting principles and reporting practices for national banks, interprets these principles and practices, develops internal accounting education programs, and reviews and provides guidance for the preparation of financial statements in merger proxy statements, offering circulars, and registration statements. The division also represents the Office of the Chief National Bank Examiner in many OCC and inter-agency work groups, including the FFIEC Reports Task Force.

During the year, the division directed its attention to numerous accounting, reporting, and supervisory issues. These included intangible assets, regulatory capital requirements, current value accounting, loan

and restructuring fees, futures and forwards, asset exchanges, sale/leaseback transactions, "push-down" accounting, and deposit float. The division was in close contact with the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) Banking Committee, thereby taking an active role in the process of setting accounting standards.

Through its participation on the FFIEC Reports Task Force, the division also took an active role in the major revision of the Call Report forms and instructions. The revisions will be effective for the March 1984 Call Reports.

The division continued its effort to ensure adequate understanding of accounting principles and reporting requirements. Division representatives presented the OCC's views at several industry conferences and served as instructors for a formal training program on accounting principles. The program was conducted for approximately 100 OCC examiners.

Financial statements reviewed by the division included those in 183 business combination proxy statements (12 CFR 11.5 and 11.51), 32 offering circulars (12 CFR 16), and 97 registration statements on Forms F-1, S-14, or S-15 (12 CFR 11.4 and 11.41).

Investment Securities

The Investment Securities Division serves as the focal point within the OCC for policy analysis on matters relating to investment securities, bank dealer and money market activities. The division formulates, implements, monitors and evaluates bank supervisory policy in these areas. The division coordinates and carries out the responsibilities imposed by federal securities law as the appropriate regulatory agency for national bank municipal securities dealers. In addition, acting as liaison, the division maintains an extensive network, communicating with the investment banking and securities industry, bank dealer community, other regulatory bodies and the public with respect to investment securities, bank dealer and money market activities.

Rapid changes in trends and products in this segment of the banking industry were experienced during 1983. The division monitored and studied these changes, developing policies and examination techniques to ensure continued safe and sound bank operation in these areas. The division also participated in the development of remote examination capabilities, enhanced by more meaningful reporting of financial information by banks. During 1983, an Investment Securities Specialist program was developed and implemented to ensure that a high level of examiner expertise would be available in this increasingly complex and innovative area.

The Investment Securities Division continued its commitment to examiner training by participating as instructors and coordinators for eight FFIEC MSRB Dealer Seminars, six Futures and Forwards Seminars, and in the OCC's Senior ANBE Schools and White Collar Crime Seminars. The division's staff participated in numerous outside speaking engagements, serving to foster communications with the bank dealer and investment banking communities as well as the securities industry.

Trust Examinations

The Trust Examinations Division develops examination policies and procedures relating to the fiduciary activities of national banks. The division provides technical support to examiners, district and field offices, and other divisions in the Washington Office. Policy decisions and information are disseminated to banks, trade associations, and other government agencies.

The division plans and oversees the international examination of national bank fiduciary activities. During 1983, the international fiduciary activities of five multinational banks were examined, four at overseas locations. The division also supports the Multinational and Regional Bank Divisions in oversight of the examination of domestic trust activities. It also participates in enforcement and compliance activities involving trust examination matters.

A major revision of the *Comptroller's Handbook for National Trust Examiners* was initiated in 1983. This project, which involves extensive participation by field examiners, will be completed in early 1984. This project is part of the division's on-going effort to revise and update examination procedures and policies. Liaison with the banking industry and monitoring activities within the division are used to identify new developments and trends within the financial services arena that may require the development or revision of policies and procedures.

Fifty-eight applications for fiduciary powers were reviewed and processed during the past year, including charter applications for nonbank banks. The division also reviewed and processed approximately 100 registrations or amendments to registration of securities transfer agents. The staff analyzed the Securities and Exchange Commission's proposal to amend Rules 17Ad-1-2 and 5 and prepared comments for the Commission. Enforcement actions covering transfer agent activities were taken in 1983.

Approximately 450 collective investment fund plans were processed during 1983. Division personnel precleared the approval for bank trust departments to offer, as a fiduciary service, a common trust fund composed of American Telephone & Telegraph and the seven regional holding companies. This resulted in authorization by the Comptroller, under 12 CFR 9.18(c)(5), for short term investment funds to be invested with an average weighted maturity of 120 days.

A revised Special Call Report and instructions were formulated. For the first time, income and expense data is being collected on the operation of all national bank trust departments. The revised report will also collect more detailed income and expense data from the largest national bank trust departments. The enhanced reports will permit the analysis of trust department profitability trends.

The Trust Examinations Division participated in several projects with other divisions. These included developing a program to assess quality control and policy compliance in the examination process, a study of possible roles for public accounting firms in the examination process, the planning for an expanded data base of examination generated information, and a task force considering new examination approaches.

Division employees prepared interpretive letters and opinions on current fiduciary issues. Positions were established on such matters as fiduciary accounts utilizing affiliated discount brokerage firms, use of money market deposit accounts, and banks acting as sub-advisors or sub-transfer agents for mutual funds. Trust Banking and Examining Circulars were issued on such policy matters as statistical sampling of trust department assets, the use of reverse repurchase agreements in trust accounts, trust department purchase of securities through affiliated discount brokerage companies, investment of bank common trust funds in shares of more than one investment company having the same investment advisor, and trust department funds awaiting investment or distribution.

Federal Financial Institutions Examination Council

The Federal Financial Institutions Examination Council was established on March 10, 1979, pursuant to Public Law 95-630. The Council is composed of the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, the Chairman of the Federal Home Loan Bank Board, the Chairman of the National Credit Union Administration, and a member of the Board of Governors of the Federal Reserve System.

The Council seeks to establish uniform principles, standards, and report forms for examining depository institutions, develops and maintains uniform reporting systems for depository institutions, their holding companies and their subsidiaries; and conducts schools for examiners of the federal supervisory agencies.

To administer those functions, the Council has established permanent interagency task forces for supervision, reports, surveillance, examiner education, and consumer compliance. These task forces meet regularly, as do various subcommittees of the task forces.

The Council's achievements in 1983 included:

- Approved a major revision of the quarterly Reports of Condition and Income for commercial banks, to be implemented in March 1984;
- Reported to Congress that it would not be desirable at this time to recommend adoption of a uniform system for enforcing the fair housing and lending laws;
- Adopted a new disclosure system for loans to bank insiders, utilizing the quarterly Call Report;
- Developed and recommended for adoption examination procedures relating to funds transfer networks;
- Reported to Congress on "risk participations" in acceptances, in accordance with the Conference Report on the Export Trading Company Act of 1982;
- Approved increasing the frequency of the Country Exposure Report to quarterly, and adopted a new disclosure report derived from the Country Exposure Report;
- Adopted the Foreign Currency Report as a Council report, replacing a similar report previously required by the Treasury Department, and
- Approved an International Banking Seminar for senior examiners.

National Operations

Management Resources

Human Resources Division

During 1983, Human Resources continued to develop and implement innovative and cost effective programs to improve the quality of working life for OCC employees and to attract and retain a high quality staff. OCC's benefit package was enhanced by the addition of long-term disability and professional liability insurance coverage. Other new programs that were implemented include an improved executive benefits package, a relocation incentives program and corporate credit cards. These programs are not only unique within the federal government, but within a large segment of the private sector as well.

A Benefits and Travel Services unit was established during the year to centralize the design, implementation, review and evaluation of OCC's employee benefits programs and bureau-wide travel and relocation activities. In addition, an on-site travel office (SATO) was established to reduce OCC's travel costs and provide convenient services to OCC travelers by removing the burden of making travel arrangements and shopping for the most economical fares.

The division supported regional reorganization efforts in FTE allocations, position structure and design, recruitment and outplacement and counseling. The process for allocating and monitoring FTEs was greatly enhanced; year-end FTE usage was 2,846—within .15 percent of our 2,850 goal. Position descriptions for all district jobs were completed, and the selection process for 80 candidates who applied for these new positions was coordinated. In addition, all district Personnel Officer positions were filled with highly qualified individuals. All employees requesting outplacement assistance were successfully placed.

After completing a thorough assessment of OCC's National Recruitment Program the firm of Brecker and Merryman was hired to conduct a comprehensive study of the national bank examiner occupation. The study will identify examiner skills required in a deregulatory environment; identify major reasons for turnover in the examiner occupation and make recommendations for reducing unwanted turnover; revalidate the career path for examiners; provide a valid examiner selection process; and produce a strategic plan for Human Resources

The division conducted major position evaluation studies and revised position descriptions in conjunction with the reorganizations of Bank Supervision, Industry and Public Affairs, Bank Organization and Structure and Data Processing. Numerous positions in Systems and Financial Management were re-evaluated and a comprehensive study of all secretarial and clerical positions was completed.

In addition to implementing new programs and accomplishing major improvements in existing programs and operations, the division continued to maintain a high volume of ongoing activities. More than 5,000 personnel actions were processed; and 139 competitive, 486 NRP, and 12 SES vacancies were filled.

The division formulated or revised policy proposals to streamline procedures in the areas of travel and relocation, pre-exit clearance and executive planning and performance appraisal. Policy was formulated to cover new or revised programs such as financial planning, corporate credit cards and relocation incentives.

Administrative Services

The Administrative Services Division (ASD) provides support to the entire organization through real property management, procurement and supply, records management, administrative systems and printing operations. There are five units within the division: Acquisition Services, Printing Management, Administrative Policy Development, Real Property Management and Information Resources Management.

The Acquisition Services unit is responsible for purchasing goods and services and managing the supply operation. In 1983, an estimated 2,000 requests for purchases and contracts were processed totaling $8 million. In addition, this unit initiated formal negotiation strategy plans and conducted contract negotiations. The supply operations were improved by developing an easy-to-use reference manual for ordering office supplies

The Printing Management unit provides graphics design, printing and reproduction, mail and messenger services and telecopier services. Through several cost-saving measures this unit saved the OCC approximately $70 000 and increased printing productivity

ity by 50 percent. The unit responded to more than 400 requests for graphic design support and completed approximately 1,500 printing requests.

The Administrative Policy Development unit develops administrative policies and procedures and participates in government-wide administrative management programs, including Department of Treasury programs. The unit identified and developed cost saving initiatives, including the restructuring of ASD. During 1983, the unit enhanced the Emergency Preparedness Program by involving senior management and by appointing a second Deputy Comptroller as a Treasury Regional Emergency Preparedness Coordinator.

The Real Property Management unit acquires, renovates and manages all office space, manages the personal property system, and provides telecommunications services. The unit supported the OCC regional reorganization by arranging or renovating office space for the district and field offices. In addition, major renovations of Washington office space were started during 1983.

The Information Resources Management unit is responsible for records management and the OCC library. The unit initiated a full-service records management program which provides consultant assistance, records and files analysis, microfilming and records control. The library services were improved during 1983 and a computerized bibliography database service was installed.

Operations

The Deputy Comptroller for Operations oversees the Operations Analysis and the Training and Development divisions and is responsible for effective coordination between the district and Washington offices. In addition, the Deputy is the Vice Chairman of the District Management Group and is a member of the District Administrators Group. The Deputy Comptroller is also in charge of the OCC's regional reorganization.

Operations Analysis

The Operations Analysis Division is responsible for all management analysis and program evaluation at OCC. The division also provides staff support for the Senior Deputy Comptroller for National Operations, the Deputy Comptroller for Operations, the District Management Group and the District Administrators Group and provides overall management of specialized projects initiated and assigned by these groups.

The staff consists of national bank examiners, management analysts, and systems analysts. Ongoing functions include the review and analyses of major programs and management systems, organizational surveys and design, workflow analysis, project and program management, establishment of new systems, and participation in management information system efforts, including word processing.

Major accomplishments of the division in 1983 include: issuance of a comprehensive report on the quality control systems in the districts; participation in the establishment of a comprehensive quality control system for the new district and field office organization; evaluation of OCC's policies and processes for identifying and dealing with national banks requiring special supervisory attention; development of a method of assessing bank examination productivity and assessment of bank examination productivity; implementation of a national filing system for bank records; conducting an Optical Character Reader (OCR) pilot study; installing OCR equipment in all district offices; and involvement in the regional reorganization project.

Training and Development

The Training and Development Division educates and develops OCC's executives, managers, examiners, attorneys, and the administrative staff in accordance with agency goals and budgetary constraints. The division's staff includes education specialists, employee development specialists, national bank examiners, a national trust examiner and a psychologist. The staff works on course design, course administration and career development.

During 1983 there was renewed emphasis on the training and development function. Training needs throughout OCC have increased, particularly as banks have entered non-traditional activities, coped with economic variables and utilized new technologies. As a result of changes brought about by reorganization and new technology, especially microcomputers, executive and managerial development needs required additional attention. The agency's training and development budget was increased to $4.5 million and four new positions were added to the division.

The course design section became operational in late summer and completed an extensive survey which resulted in the development of several new courses: Problem Bank Seminar, Trust Community Bank Examination, EDP Community Bank Examination, Intermediate Trust, Examiner Interview Techniques, Strategic Planning for Technology and Electronic Banking, self-paced Consumer Orientation, and Project Management. Extensive work began late in the fall on a post-commission curriculum.

The course administration section conducted 183 sessions of ongoing courses for 2,644 participants in 51 subjects. Eight of these subjects were taught in sessions sponsored by the Federal Financial Institutions Examination Council (FFIEC). In addition, the section coordinated courses administered at the district level, administered six region or district annual training conferences and arranged appropriate vendor training from outside the agency.

The Career Development section successfully implemented CD III (SES Candidate Development Program) in early fall. The Executive Review Board selected six managers who began a 2-year developmental program.

Developmental assignments at the director level were expanded, as was the use of academic executive development programs. The Course Development Committee selected 20 potential directors for CD II. Four potential managers were selected for CD I (Washington Managerial Development Program). The Senior National Bank Examiner Committee awarded that title to three field examiners in 1983.

Of specific note in 1983 was the pilot of both a live satellite educational broadcast and a "slow-scan" video transmission for training purposes. The in-house training facility was relocated and redesigned to include modern microcomputer and video equipment.

Regional Reorganization

Reorganization of the Office of the Comptroller of the Currency (OCC) field operations began on January 1, 1983. Significant progress has been made in converting the 12 regions into six districts and establishing a network of 23 field offices.

The 15-month project is on schedule and at year-end all but two regional offices had been merged into the new district structure. The two remaining regions, Denver and Boston, will merge by January 31 and March 31, respectively. Twenty-two of the 23 field offices are operational. Thirteen of these offices are in permanent quarters. Sites have been selected for the remaining 10 and they should be fully operational during the first quarter of 1984.

Regional reorganization has affected many OCC employees and a great deal of time and effort was expended in providing appropriate assistance to them. To date, a concerted Human Resources, Operations Analysis and district office effort has resulted in the successful placement of all adversely affected personnel wishing employment into comparable full-time positions with the OCC, other government agencies, or in the private sector. The success is attributed to a comprehensive series of seminars, group and individual counseling and dedication by the entire staff assigned to the project.

The reorganization is scheduled to be completed by March 31, 1984. A summary evaluation, a reassessment of the staffing allocations and a review of the functional framework of the district and field offices will be major initiatives in 1984.

Equal Employment Opportunity—The Equal Employment Opportunity Office implemented a comprehensive EEO training program in 1982. During 1983 the training program was completed and Washington managers received additional EEO training. District staff will receive training in affirmative action planning in 1984.

During 1983 EEO Advisory Committees were reactivated in all district offices. A planning conference was held in Washington to provide training and develop implementation strategies. The office provided a 3-day training program during Women's Week, which was sponsored by the Federal Women's Program. The program featured information on legislative issues concerning women, job sharing, part-time jobs, and self-image.

The number of women and minorities in senior level positions in OCC increased during 1983. There were 3.3 percent more females and 1.3 percent more minorities in senior level positions in 1983 compared to 1982.

There were 5 precomplaint counseling cases during 1983, and three formal complaints were filed. In 1982, there were 10 precomplaint counseling cases, and two formal complaints.

Conference Office—The Conference Office plans, develops and arranges meetings, conferences, and seminars for Washington personnel; advises the district offices; and arranges housing for district personnel temporarily assigned to the Washington Office. The office also prepares budget estimates and comparability studies to ensure cost-effective scheduling, locations, and facilities.

In 1983, the office planned and arranged two OCC-FDIC combined meetings, two district administrators meetings, 13 district management group meetings, and five district coordinators' committee meetings. In addition to those major conferences, the office assisted the Training and Development Division with four seminars.

Policy and Planning

Bank Organization and Structure

The Bank Organization and Structure Department establishes and implements policies affecting corporate activities of national banks and analyzes and processes requests from banks and individuals to engage in banking activities. Those requests include applications for new bank charters, mergers, consolidations, corporate reorganizations, conversions of state banks to national banks, operating subsidiaries, branches, customer-bank communication terminals (CBCTs), bank office relocations, changes in capital and Federal branches and agencies of foreign banks. The department also evaluates and processes notices of change in controlling ownership and appraises dissenting shareholders' stock in proposed mergers in order to determine its fair value.

Many novel or controversial applications were processed by the department in 1983, including the following:

- Two national banks were acquired by commercial entities under the Change in Bank Control Act. The Notices indicated that the banks involved would alter their operations in such a way so as not to be considered commercial banks as defined by the Bank Holding Company Act.
- Applications filed by Citizens Fidelity Corporation, Louisville, Ky., and Comerica, Inc., Detroit, Mich., to establish subsidiary national banks in Ohio were approved on February 4, 1983, and August 2, 1983, respectively. The banks will primarily offer credit card services and will not be commercial banks as defined by the Bank Holding Company Act. These applications were motivated by a desire to operate a credit card facility under Ohio's less restrictive usury laws. While the approval of the Federal Reserve Board is required, the approval will be for a subsidiary not engaged in the business of banking. In so doing, the Douglas Amendment to the Bank Holding Company Act will not be violated.
- An application submitted by the Dreyfus Corporation to charter a national bank was approved on February 4, 1983. Dreyfus Corporation advises various mutual funds which comprise the Dreyfus Group of mutual funds. This decision [illegible] both the Bank Holding Company Act and the Glass-Steagall Act. The [illegible] bank would not be a commercial bank as defined by the Bank Holding Company Act because it would not make commercial loans or accept demand deposits. The Glass-Steagall Act would not be violated because the bank will not have officers or directors in common with the Dreyfus Corporation or its other subsidiaries.
- An application for permission to convert to a national banking association was approved for the U.S. Trust Company of Florida, a state-chartered trust company. The resulting national bank will be a wholly owned subsidiary of the U.S. Trust Corporation of New York. Although approval to operate this subsidiary will be sought from the Federal Reserve Board, the new national bank will not be a commercial bank as defined by the Bank Holding Company Act in order to avoid a violation of the Douglas Amendment.
- Approval was given for the American Investment Thrift, Salt Lake City, Utah, an industrial loan subsidiary of Leucadia, Inc., to convert to a national banking association. Leucadia, Inc. is engaged in consumer and real estate finance and insurance. This bank will not be considered a commercial bank as defined by the Bank Holding Company Act.
- An application to charter a national trust company that would provide fiduciary services through investment management and counsel to institutional customers was approved on November 22, 1983. Templeton Management and Trust Company, National Association, Fort Lauderdale, Fla., will assume the investment management activities of Templeton Investment Counsel, Inc. This application raised several Glass-Steagall issues; however, the Act will not be violated because the bank will not be affiliated with any of the Templeton funds. Also, the Act's prohibitions against management interlocks between securities firms and banks is not applicable because Templeton Management and Trust Company, National Association is a trust company and will not offer full banking services.
- An application to charter the first federally chartered bankers' bank was approved on December 5, 1983. The Louisiana Independent Bank, National Association, Baton Rouge, La., will be established by a group of depository institutions to perform various activities, including check clearing, and loan and investment services, on behalf of its members and other institutions. This approval was based on new authority in the

Garn-St Germain Depository Institutions Act of 1982.

- An application for permission to establish an operating subsidiary that would engage in the business of providing investment advice was approved for the American National Bank, Austin, Tex. The Office did not believe that the activities of the subsidiary would violate the Glass-Steagall Act whether the activity is considered alone or in conjunction with a brokerage activity.
- An application to merge First and Merchants National Bank, Richmond, Va., into Virginia National Bank was approved on November 22, 1983. This case involved two of the largest banks in Virginia and entailed the divestiture of 33 branches and over $330 million in deposits. This case is another example of the consideration of thrifts as competitors of commercial banks in a competitive analysis. As part of this proposal the Office approved the acquisition of a credit life insurance company as an operating subsidiary of a national bank. The insurance company, Security Atlantic Life Insurance Company, is an Arizona corporation that underwrites credit life insurance policies sold only in Virginia.

The volume of many types of corporate activity, most notably new bank charters and mergers, remained high. Nonetheless, average processing time continued to decline. One reason for that improvement was the department's continuing effort to streamline procedures.

In October 1980, the OCC began the Corporate Activities Review and Evaluation (CARE) project, a comprehensive review of all policies and procedures in the corporate activities area. The primary objectives of the CARE project were to significantly reduce the paperwork and processing burdens on the applicant banks and the agency, and to adopt policies that enhanced the ability of national banks to compete in the financial services marketplace.

In July 1982, the OCC initiated CARE II to accelerate the review of the corporate activities area. A consultant was hired to assist in the review. Background work was completed during 1982.

Significant progress was made during 1983 under CARE II. Principal achievements included:

- Implementation of new publication requirements governing most corporate applications. The new requirements reduce the overall application acceptance and publication period from more than 50 days to 30 days. In addition, merger publication requirements were reduced from five publications during a 30-day period to three publications.
- Implementation of new charter procedures that introduced a streamlined processing alternative and incorporated numerous changes in forms and procedures. Under the streamlined procedures, applicants will receive preliminary approval on a new charter in 45 days compared to the minimum of 60 to 90 days now in effect. The new charter procedures cover national bank charters, trust bank charters and interim bank charters.
- Implementation of streamlined procedures for acting on applications to establish or acquire operating subsidiaries.
- Implementation of the total deregulation of employee stock option and stock purchase plans (ESOPs).
- Implementation of new streamlined procedures for effecting corporate reorganizations which include: (1) the formation of a one-bank holding company; (2) acquisition of an unaffiliated target bank by an existing bank holding company through merger with an interim bank; and (3) the merger or consolidation of subsidiary banks of an existing bank holding company. The new procedures reduce the time required for these transactions by half.
- Implementation of new procedures for handling notifications of title changes pursuant to the deregulation of such changes under the Garn-St Germain Depository Institutions Deregulation Act.

Based on work completed during 1983, streamlined procedures for applications for fiduciary powers, conversions from state to national banks, mergers, branches, CBCTs, and changes in capital will be implemented during the first half of 1984.

Economic and Policy Analysis

The Economic and Policy Analysis Division (E&PA) analyzes issues affecting domestic and international financial markets and, in particular, the OCC's regulation and supervision of national banks. The division's economists and financial analysts provide senior OCC officials with data and analyses on the economic environment, trends in banking and capital markets, and policy issues. E&PA also offers analytical and statistical services to other OCC divisions.

During 1983, E&PA assumed a major role in the OCC's continuing deregulation of the asset and liability powers of depository institutions. In an effort to increase bank asset flexibility, E&PA staff issued a completely

revised and substantially more liberal Adjustable-Rate Mortgage (ARM) regulation, including a provision enabling banks to offer open-end credit ARMs. E&PA also participated with other divisions in the development of regulations repealing the amortization, loan-to-value, and maturity requirements applied to real estate lending under 12 USC 371 and in preempting state restrictions on the enforcement of due-on-sale clauses in mortgage contracts.

The division contributed to the deregulation of bank liabilities by preparing a proposal that was presented to the Depository Institutions Deregulation Committee to eliminate the $2,500 minimum denomination on the Money Market Deposit Account (MMDA) for IRA deposits and to phase out the minimum required balance on all other MMDAs over 2 years. This proposal was adopted by the DIDC effective January 1, 1984.

There was strong Congressional interest in bank deregulation in 1983 and E&PA staff prepared testimony on deregulatory issues for the Comptroller and Senior Deputy Comptroller for Policy and Planning on five separate occasions. The division also prepared a comprehensive review of the major problems facing the banking industry for presentation before the House and Senate banking staffs. This review covered the problems faced by community banks as deposit rate ceilings are phased out, a brief synopsis of the evolution of the LDC debt problem and the ensuing international lending situation, and domestic loan problems.

As part of the Office's ongoing effort to contribute to the banking industry's awareness of the risks arising out of deregulation, the division prepared a series of slide presentations and speeches for the Comptroller and Senior Deputy Comptroller for Policy and Planning's presentation to bankers. Topics included risks in the real estate market, recent banking problems associated with the domestic and international corporate loan markets, and the effect of the elimination of deposit rate controls on bank margins and income.

E&PA staff spent a major portion of 1983 analyzing and reporting on developments in domestic and international financial markets. This research resulted in papers, analytical memoranda, *Quarterly Journal* articles, speeches, and presentations on a variety of topics including the condition of the banking system, fee income, the operations of national banks, domestic loan problems, the performance of the various industries comprising the financial services sector, foreign lending by U.S. banks, nonbank banks, federal regulatory agency consolidation, money brokering and financial instrument innovation. In addition, senior staff were informed of financial market developments through briefs on domestic economic indicators and state backgrounder reports.

During 1983, E&PA staff also provided research and economic analysis for use by other OCC divisions. This included an analysis of the OCC's examination process, a study of the capital requirements of limited purpose banks, and an analysis of new bank performance following the 1980 change in OCC chartering policy. E&PA staff assisted in the analysis of difficult merger cases, prepared bank stock appraisals, and performed analyses with the International Banking Division on the LDC debt problem and U.S. bank country exposure. Throughout the year, the division participated in developing and overseeing research projects and training courses relating to the interdivisional Bank Technology and Telecommunications task force.

Systems and Financial Management

Data Processing

During 1983, data processing continued to grow rapidly thoughout the OCC. Major enhancements were made to over 50 projects. Dollars expended on computer usage increased from $1 million in 1982 to approximately $2.5 million in 1983.

Major activities included:

- Software and hardware applications were converted from the Martin-Marietta Data Systems VAX 11/780 computer system to the IBM 3081.

- Several new Integrated Database Management Systems (IDMS) online software systems were developed, tested and implemented. The most noteworthy were:
  - —TRS/Travel
  - —Unclaimed Property
  - —Regional Bank Program
  - —NBSVDS

- The General Ledger and Accounts Payable online accounting software modules were installed.

- The Washington headquarters and six district offices were linked to a nationwide satellite telecommunications network. Lee Data Corporation intelligent terminals and printers were installed at each location.

- Technical requirements and hardware and software specifications were developed as part of the procurement process for the agency's Personal Computer Program.

- The division also participated in a number of special projects:

  —Contributed to several Treasury Department Committees including the Information Systems Planning Committee, the ADP Standards Committee, and the Telecommunications Steering Group.

  —Worked with the Federal Deposit Insurance Corporation (FDIC) to develop a plan whereby the FDIC could have online access to the OCC's Foreign Exposure database information.

  —The Regulatory Database and the NBSVDS systems were expanded to include the approximately 15,500 commercially insured banks.

  —Computer security procedures were implemented to protect our information resource.

Financial Operations

The Financial Operations Division promotes the efficient use of financial resources for the OCC. The division has two branches: Budget Programs and Accounting Programs. In addition, the Director's office includes project managers to coordinate OCC and financial management projects.

Budget Programs develops, recommends, and implements revenue and expenditure policy, performs financial analysis, designs and operates financial models, and directs the OCC's budget operation which includes coordination with the Treasury Budget Office and OMB. In 1983, the Budget Programs Branch:

- initiated a project to develop a comprehensive financial management policy for the OCC;
- initiated a comprehensive revenue review project to revise and update all revenue sources;
- modeled the basic financial statements of OCC and developed comprehensive 5-year forecasting procedures;
- coordinated the revision of financial data and organization structures to accommodate the regional reorganization; and,
- performed financial analysis of impacts of projects proposed at the OCC.

Accounting Programs is responsible for the management of the OCC financial reporting systems. During 1983, a new financial system which improved OCC's ability to monitor financial and forecasting activities was successfully implemented. The system complements and enhances the present planning/budgeting and time reporting systems. In 1984, an online accounts payable system, which interfaces with the general ledger system will be implemented. When this is accomplished, the OCC will attain its goal of an integrated online accounting system for its major financial activities.

A pilot program to combine OCC's travel expense voucher and time reporting form into one report was tested in 1983. This program, which also reduced the travel expense reporting period from 4 to 2 weeks, was successful, and will be implemented OCC-wide in 1984. In addition to reducing paperwork, this program will provide more timely information, better control over travel expenditures, and improve cash management of travel advances.

In 1983, cash management objectives permitted all banks to pay their assessment by electronic fund transfer (EFT). Payment of OCC expenses by EFT is being reviewed in order to further improve our cash management in 1984.

On October 15, 1982, the Garn-St Germain Depository Institutions Act of 1982 was signed into law requiring OCC to dispose of the property recovered from 627 national and District of Columbia banks that were closed before and during the 1930's. Financial Operations participated in a task force to establish procedures to implement these provisions, and established a "Claims Processing Unit" to execute these procedures. The first action of this unit was designing a system for automating some 22,000 names of all property owners by city, state, and bank. The list of owners was published in the *Federal Register* on June 29, 1983, and press releases were issued to the news media. Financial Operations is in the process of receiving and validating claims for the property. The filing period ends on June 30, 1984, after which the claims will be processed for proper disposition.

Strategic Planning

The Strategic Planning Division organizes development, review and revision of the OCC Strategic Plan, administers the operations planning process, and develops periodic and specialized monitoring reports which chart progress against plan and provide a basis for management decisions regarding use of OCC resources.

During 1983, the OCC Strategic Plan, developed in 1981, underwent a complete review and revision.

The operations planning cycle for plan year 1984 was completed with revisions and improvements based on last year's experience, when current planning procedures were instituted. With the help of other OCC staff

division staff modelled bank examination resource requirements and advised the Policy Group on resource allocations to OCC districts and Washington units. Regular publication of Policy Group monthly and quarterly planning reports was instituted to track progress against plan.

The Time Reporting System, which tracks employee time expended in OCC functional areas defined through the planning process, was used to generate a number of specialized reports requested by OCC managers. Further improvements in the Time Reporting System included a successful pilot for online data entry from the districts in combination with travel voucher information, as well as continued progress in the examination tracking area.

Management Systems

The Management Systems Division is responsible for planning and coordinating the development of administrative and supervisory information systems to support OCC programs and long-term goals. The division reviews and analyzes the information needs of the Office and works with users to develop detailed specifications for high priority systems. In close cooperation with the Data Processing and Operations Analysis divisions, Management Systems has developed a consolidated Management Information System (MIS) plan for the OCC and a continuing planning process to insure the efficient use of modern technology in supporting the functions of the Office.

During 1983, Management Systems led the effort to evaluate the Office's current and potential use of technology in the field and to define the OCC's requirements for providing effective data and word processing support. The result of that joint effort was a requirements document which served as a basis for procuring microcomputers for use both during on-site bank examinations and in offices. Management Systems will be responsible for coordinating the implementation of those microcomputers in 1984. The division, working closely with District MIS Coordinators, designed and completed detailed specifications for two important interactive systems. They are the Examination Priority Scheduling/Tracking/Report Processing System (EXPRESS), and the Licensing Information System (LIS) which tracks information on all corporate applications. Both of those systems are now in development.

The division provides the administrative support for the MIS Committee which consists of senior OCC managers under the chairmanship of the Deputy Comptroller for Systems and Financial Management. With extensive staff support from Management Systems and Data Processing during 1983, the MIS Committee developed into an effective planning and control body for all MIS activities. During the planning and budget process Management Systems reviewed, analyzed and consolidated information systems plans and requests from all units. The Committee, working with that material and recommendations from Management Systems, developed and approved a detailed MIS plan for 1984.

Law Department

Litigation

There were 42 lawsuits pending against the OCC at the beginning of 1983. During 1983, 29 new lawsuits were filed and 23 lawsuits were resolved, leaving 48 lawsuits pending at the end of 1983. This litigation involves the Glass-Steagall and McFadden Acts, the Bank Merger Act, OCC's regulations pertaining to adjustable rate mortgages, and the International Banking Act; OCC's interpretation of banking statutes and [illegible] branching, mergers, name changes and change in bank control; judicial review of administrative enforcement actions; contract disputes; personnel matters; and the Freedom of Information Act (FOIA).

Two major court of appeals decisions in 1983 upheld OCC regulations. *Conference of State Bank Supervisors v. Conover*, No. 81-2256 (D.C. Cir.), upheld the Comptroller's regulations issued under the International Banking Act on all challenged points except the

receipt by federal agencies of foreign source deposits (which the court held the Comptroller had erroneously allowed). *Conference of State Bank Supervisors* v. *Lord*, No. 82-1303 (D.C. Cir.), held that the Comptroller lawfully issued an adjustable-rate mortgage regulation which, as regards national banks, preempts state law. In the course of its opinion, the Court stated that, with regard to banking powers expressly granted national banks, the Comptroller's regulations may preempt state law so long as they are consistent with governing federal law.

Several actions commenced and/or decided in 1983 involved allegations that approvals granted by the OCC violated the provisions of the Glass-Steagall Act. *SIA* v. *Conover*, Civil Action No. 82-2865, (D.D.C.), challenged OCC's approval of the acquisition by two national banks of discount brokerage subsidiaries. The District Court held that the Comptroller may authorize such acquisition but may not authorize the subsidiaries to conduct business at locations where the banks themselves cannot legally establish branches. The decision has been stayed pending appeal. *SIA* v. *Conover*, Civil Action No. 83-3581 (D.D.C.), challenged the Comptroller's authorization of a bank's establishment of a discount brokerage subsidiary and an investment advisory subsidiary. The case has not been decided by the District Court. Finally, *ICI* v. *Conover*, Civil Act No. 83-0549 (D.D.C.) attacked the Comptroller's approval of the establishment by a bank of a Collective Trust for the pooled investment of assets received as trustee of IRA trusts. When the plaintiff called to the court's attention the granting of *certiorari* in *A. G. Becker* v. *Board of Governors*, the court dismissed the case without prejudice pending Supreme Court determination of *Becker*.

In the antitrust area, the Department of Justice challenged the OCC-approved proposed merger of the National Bank & Trust Co. of Norwich and the National Bank of Oxford, *United States* v. *National Bank & Trust Co. of Norwich and National Bank of Oxford*, Civ. No. 83-CV-537 (N.D.N.Y.); the OCC intervened as a party in the litigation. The case involved the acquisition by Norwich Bank and Trust Co. of the National Bank of Oxford, a single office bank headquartered in Oxford, New York. The Department of Justice alleged that the acquisition violated antitrust laws by substantially lessening direct competition between the two institutions in several distinct product markets. The Department of Justice position was based on a novel product market definition theory. A tentative settlement agreement has been reached in the case.

In another antitrust case, *Vial* v. *Conover, et al.*, Civ. No. 83-2021 "A" (E.D. La.), appeal pending, No 83-3284 (5th Cir.), an individual, rather than the Department of Justice, has attempted to sue under the Bank Merger Act. Vial challenged OCC approval of the merger between the Bank of New Orleans and Trust Co. and the First National Bank of Commerce New Orleans. Plaintiff was denied a preliminary injunction as to that aspect of the case which involves the Comptroller, and that issue is currently on appeal

In the corporate applications area, litigants filed three lawsuits challenging the Comptroller's authority to grant bank charters. *Deerbrook State Bank, et al.* v. *Conover*, No. 83C4610 (N.D. Ill.) was a suit to enjoin the Comptroller from holding a hearing and otherwise taking action on the applications of Dimension Financial Corporation to have the Comptroller issue national charters to 31 financial institutions. The District Court denied plaintiffs' motion for a preliminary injunction and, *sua sponte*, dismissed the case without prejudice. In *Vermillion Bank & Trust, et al.* v. *Conover, et al.*, No. 830113 (W.D. La.), the plaintiffs challenged OCC's preliminary approval of two new bank charters. Likewise, *First Bank & Trust Co., et al.* v. *American National Bank of Duncan, et al.*, Civ. No. 82-2324 BT (W.D. Okla.), was a challenge to the Comptroller's preliminary approval of a new national bank application. In both cases, the plaintiffs argued, as in *Deerbrook*, that the Comptroller was prevented from acting upon the applications to charter the institutions in question until the Board either decided the BHCA issues or granted the Comptroller permission to act upon the pending application. In each case, the OCC argued that the Comptroller was not required to stay his hand pending Board resolution of the BHCA issues raised by the charter application and that the Comptroller did not need Board permission in order to act upon charter applications raising BHCA issues. In both cases, the district courts rejected the plaintiffs' allegations and ruled in favor of the Comptroller. The OCC also successfully defeated the plaintiffs' attempt to secure a stay pending appeal taken from the district court decision in the *Duncan* case.

The OCC was also successful in other cases arising in the area of corporate applications. For instance, in a suit involving a merger, a phantom bank charter and appraisal of dissenting shareholder shares, the OCC won dismissal of the district court action, dismissal of the appeal taken in the case and attorney's fees. In another case, the District Court for the Western District of Michigan entered summary judgment for intervenor Comptroller in an action where the Comptroller argued that the main office relocation of a national bank is dependent only upon federal law, 12 USC 30, and that 12 USC 30 does not incorporate state law at all, let alone state law restrictions on branching. *Central State Bank* v. *Michigan National—Grand Traverse, et al.*, Civ. No. 681-869 (7th Cir.). In *First National Bank &*

[illegible] v. State Banking Commission No. [illegible] (D. Okla.), the State Banking Commission challenged OCC's approval of plaintiff bank's branch application. The District Court rendered a decision against the Comptroller and the bank. The case was appealed. However, Oklahoma changed its branching laws, rendering the appeal moot.

Four lawsuits requiring judicial review of OCC enforcement actions have been resolved, three entirely in OCC's favor. In a suit to enjoin the Comptroller's order suspending the CEO and loan officer of a bank, the District Court dismissed the case. On appeal, after the OCC filed its brief and presented oral arguments, the Court of Appeals affirmed the district court decision. The Court of Appeals for the Fifth Circuit issued a somewhat anomalous decision with respect to an enforcement action taken by the Comptroller. In *First National Bank of Bellaire* v. *Comptroller of the Currency* 697 F.2d 674 (5th Cir. 1983), the court affirmed in part and reversed in part a cease and desist order issued by the Comptroller under 12 USC 1818(b)(1) against the First National Bank of Bellaire. The court reversed that portion of the Comptroller's determination that the bank was operating with inadequate capital contrary to safe and sound banking principles. OCC's petition for rehearing and rehearing *en banc* was denied. Furthermore, the Solicitor General decided not to seek Supreme Court review of the case. While the opinion in the case contains some disturbing language, *Bellaire* does not preclude or unduly restrict OCC's ability to vigorously exercise its authority under 12 USC 1818.

Tirso del Junco v. *Conover*, 682 F.2d 1338 (9th Cir. 1982), was another case involving a petition to review an OCC cease and desist order. In *del Junco*, the court upheld an order by the Comptroller instructing directors of a national bank to indemnify the bank for lost principal and interest on certain loans which, when combined, exceeded the bank's legal lending limit. The directors were also ordered to indemnify the bank for collection costs and attorneys' fees paid by the bank for the directors' defense. In ruling in the Comptroller's favor, the court reaffirmed the broad discretion of the Comptroller to cure banking law violations.

There has been an increase in the number of cases challenging OCC's bank appraisal procedures. These [illegible] question both OCC's methodology and the [illegible] of the Comptroller's appraisal of dissenting shareholders' stock. In *Martin* v. *Kilgore First Ban[illegible]* [illegible] (E.D. Tex.) [illegible] The OCC's position was [illegible] by the court [illegible] in a reorganization [illegible] to holding company ownership, it was proper under 12 USC 215(d) for the holding company shares, and not the interim bank shares, to be auctioned.

Enforcement and Compliance

The Enforcement and Compliance Division, in conjunction with the districts, is principally responsible for recommending administrative actions in appropriate cases and for representing the Office in presenting and litigating these actions.

During 1983, the OCC initiated approximately 283 administrative actions, including 12 temporary cease and desist orders, 63 cease and desist orders and 166 formal written agreements. These actions addressed, among other things, the following areas:

- Capital adequacy
- Management review
- Appointment of new executive officers
- Asset/liability management
- Classified assets
- Securities trading and investment
- Liquidity
- Allowance for possible loan losses
- Reimbursement by directors for violations of 12 USC 60, 84, 375a and 375b
- Curtailment of insider lending
- Restitution for improper payments, fees, bonuses, salaries or expenses
- Republishing and refiling call reports
- Loan participations

In addition to the administrative actions mentioned above, the Office issued five civil money penalties against national banks for a total of $26,000 and 164 civil money penalties against directors or other individuals participating in the affairs of national banks for a total of $479,500. The civil money penalties were assessed primarily for violations of 12 USC 84, 371c, 375a and 375b as well as for violations of final cease and desist orders.

During the course of the year, the Enforcement and Compliance Division was involved in over a dozen cases in various stages of litigation. In *First National Bank of Grayson, Grayson, Kentucky* v. *C. T. Conover*, 715 F.2d 234 (6th Cir. 1983), the court upheld the Office's suspension of two officers of the bank pursuant to 12 USC 1818(g) based on their indictment by a federal grand jury. The individuals had failed to exercise their statutory right to a post-suspension hearing and, instead, had appealed directly to district court. The court, in dismissing the officers' appeal, affirmed the Office's position that suspensions under 12 USC 1818(g) are not subject to direct judicial review unless the suspension is in plain contravention of the statute.

Two related cases which involved the issuance of cease and desist orders subsequent to an administrative hearing were appealed to the United States Court of Appeals for the D.C. Circuit. The court dismissed one of the cases because the bank did not file its appeal within the requisite statutory timeframe. The remaining case involves issues pertaining to the bank's lending practices, purchasing poor quality loans from affiliated banks, lack of credit information, undue reliance on collateral values for repayment, adequacy of its capital and adequacy of its allowance for possible loan losses.

In several cases, the division sought to enforce outstanding cease and desist orders in district court. In one case, after several preliminary motions for discovery by the bank were denied, the court issued an order stating it will enforce the order as requested. In another case, the court issued an order to show cause to the bank, but has agreed to stay the proceedings while the directors attempt to raise capital or sell the bank as required by the order.

In two separate cases, the division obtained civil money penalties and the removal of individuals primarily responsible for the failure of financial institutions—one a national bank and the other a savings and loan institution.

In the case of the *First National Bank of Bellaire* v. *Comptroller of the Currency,* 697 F.2d 674 (5th Cir. 1983), the Fifth Circuit affirmed in part and reversed in part a cease and desist order the Office had issued against the bank. The Office takes issue with the court's ruling that the bank's capital inadequacy had not been established by substantial evidence since the Office believes that the court improperly substituted its opinion for that of the agency's and did not give due deference to the agency's administrative expertise. Because the Office believes that the case should be limited to its facts in any event, the Office will continue to vigorously exercise its authority under 12 USC 1818 with respect to all identified violations of law and unsafe or unsound banking practices.

In 1983, the Office undertook several major investigations of cases involving potential insider abuses and violations of banking and criminal laws. The division has also continued its extensive monitoring and coordinating efforts with foreign bank supervisors and law enforcement agencies worldwide to eliminate fraudulent schemes involving offshore shell banks and money brokers. In this regard, the division has continued to issue banking circulars to banks advising them to exercise caution with respect to certain activities and entities. The division also continues to respond to voluminous inquiries from banks and individuals in this area.

Securities and Corporate Practices

The Securities and Corporate Practices Division is responsible for administering and enforcing the federal securities laws which affect national banks, including the Securities Exchange Act of 1934 (Exchange Act) and the Comptroller's Securities Exchange Act Disclosure Rules, 12 CFR Part 11 (Disclosure Rules). The division also administers and enforces the Comptroller's Securities Offering Disclosure Rules, 12 CFR Part 16 (Securities Offering Rules) which apply to national banks offering their securities. The division provides legal advice on certain provisions of the Glass-Steagall Act which relate to securities underwriting and dealing activities of banks, as well as provisions of the Comptroller's Trust Regulations which involve securities matters. Further, the division provides interpretive advice on the Change in Bank Control Act of 1978 and certain provisions of the banking laws which concern the corporate practices of national banks. In addition, the division acts as liaison with the Securities and Exchange Commission (SEC) and has engaged in continuing discussions with that agency with a view toward centralizing mutual requests for access to confidential information.

During 1983, the division had a primary role in preparing the decision authorizing American National Bank, Austin, Tex., to establish MPACT Securities Corp. as an operating subsidiary to provide investment advisory services. The division also assisted in the defense of several suits brought by industry associations challenging the Comptroller's authorization of new products or services by national banks. For example, *Securities Industry Association* v. *C. T. Conover, Comptroller of the Currency,* No. 82-2865 (D.D.C. Nov. 2, 1983), involved a challenge to the opinion of the Comptroller which had authorized Security Pacific National Bank to establish a discount brokerage operating subsidiary. The Office successfully defended that portion of the litigation dealing with the Glass-Steagall issues. In addition, the division assisted in the defense of *The Investment Company Institute* v. *C. T. Conover, Comptroller of the Currency,* No. 83-0549 (D.D.C. 1983) in which the Comptroller's opinion authorizing the Citibank Common Trust Fund for Collective Individual Retirement Accounts was challenged. That suit was later dismissed without prejudice. The division also participated in the analysis and development of the respondents' position in a suit brought challenging the Federal Reserve Board's interpretation that commercial paper is not a "security" for purposes of the Glass-Steagall Act. *A. G. Becker* v. *Board of Governors of the Federal Reserve System*

693 F.2d 136 (D.C. Cir. 1982), cert. granted sub nom. *Securities Industry Association et al. v. Board of Governors of the Federal Reserve System*, 52 U.S.L.W. 3262 (October 3, 1983).

Further, the division is participating in the Office's consideration of two applications by national banks to establish collective investment funds for the collective investment of Individual Retirement Account trust assets. The division assisted the Chief Counsel in preparing his interpretive letters to Old National Bank of Washington and Crocker Bank, N.A., opining that retail sales of fractional interests in bankers' acceptances are permissible under the Glass-Steagall Act.

The division reviewed numerous securities registration statements, annual and special meeting proxy materials, tender offer and election contest materials, periodic reports, and statements of beneficial ownership filed by national banks pursuant to the Comptroller's Disclosure Rules. Work was almost completed on revisions to those rules to correspond with changes in SEC rules and regulations as required by Section 12(i) of the Exchange Act. In addition, as part of the Comptroller's merger application procedures, the division reviewed 257 special meeting proxy submissions relating to mergers and consolidations. The division also processed offering materials of approximately 140 national banks pursuant to the Comptroller's Securities Offering Rules.

The division conducted five informal inquiries and nine formal investigations during 1983. Formal Agreements pursuant to 12 USC 1818 were executed with two national banks to address difficulties found in their respective securities and/or mutual funds transfer agent functions. The Office also conducted an informal inquiry into allegations of irregularities involving proxy solicitation and balloting during a registered national bank's annual meeting. The inquiry led to an amendment to a preexisting Formal Agreement and a requirement that the bank hold another annual meeting.

The division was also instrumental in four separate investigations involving allegations of Exchange Act and Municipal Securities Rulemaking Board rule violations in national bank municipal securities dealer departments. One such investigation, which began in 1982, culminated in the entry of a public order imposing sanctions against the National Bank of Commerce, Memphis, Tenn., dealer department and four of its associated persons. The remaining investigations are continuing and should be concluded during 1984. In addition, the division, during 1983, conducted an informal inquiry into allegations of cheating on a municipal securities principal examination by an associated person of a national bank dealer department. That inquiry led to the imposition of public sanctions, involving a suspension, against the individual.

Legal Advisory Services

The Legal Advisory Services Division (LASD) provides legal advice and opinions to the examining, policy, and administrative divisions of OCC, its district offices, national banks, attorneys, and the public. LASD acts as "general counsel" to many OCC divisions. LASD responds to requests for assistance and its work load varies accordingly. The Garn-St Germain Act passed in 1982 sparked an intense effort in LASD to interpret the new legislation as it applies to national banks and promulgate regulations to implement the Act.

In addition to offering legal advice, LASD prepares many of the Office's regulations and interpretive rulings for publication in the *Federal Register*. During 1983, LASD attorneys drafted final rules relating to lending limits, real estate lending, management interlocks, extension of credit to insiders, definition of capital, disposition of unclaimed property, and procedural matters concerning approval of operating subsidiaries and branching. Proposed rules or advance notices of proposed rulemaking were drafted relating to bankers' banks, indemnification of bank officers, directors and employees, and adjustable-rate mortgages with open-end credit features.

LASD attorneys also review legal questions relating to charters, branches, mergers, bank closings, contracts, investment securities and Freedom of Information Act appeals. In addition to written assignments, LASD attorneys spend a significant portion of their time answering telephone inquiries from bankers, consumers, federal agencies, members of Congress, and the media, on a variety of topics. The paralegal unit handles consumer complaints.

Legislative and Regulatory Analysis

During 1983, the Office of Legislative Counsel was combined with the Regulations Analysis Division to form the Legislative and Regulatory Analysis Division (LRAD). The new division, which will continue to perform the functions of the two former divisions, was formed to advise the Chief Counsel on matters of legal policy affecting national banks in an evolving financial services industry.

The legislative section offers legal advice to agency officials on pending legislation that may affect the banking system or the agency. Legislative attorneys prepare briefing materials on legislative proposals, participate in the formulation of agency positions on

legislation, respond to Congressional inquiries, and draft legislation. They also participate in drafting Congressional testimony for the Comptroller or his designated representative and maintain legislative resource materials.

Legislative attorneys have frequent contact with Congressional staff, representatives of federal and state agencies, bank and trade association representatives, and others regarding proposed legislation. On occasion, they address various groups, including bankers' associations, bank counsel, and OCC staff members on legal and legislative matters.

During 1983, the legislative section participated in preparing testimony on the following issues:

- the international financial situation;
- the Glass-Steagall Act and the gradual merging of banking and commerce;
- deregulation of the financial services industry;
- the payment of interest on reserves and demand deposit accounts;
- the problems associated with brokered funds;
- state preemption of usury ceilings;
- offshore banking; and
- referrals of criminal violations of the banking laws.

The legislative section was actively involved in the review of various legislative proposals for the deregulation of the financial services industry, such as S. 1609, the Treasury Department's bank holding company deregulation bill, and the Financial Services Competitive Equity Act, S. 2181. The legislative attorneys also participated in developing the International Monetary Fund legislation (Pub. L. 98-181) which imposes certain restrictions on international lending by banks and strengthens the authority of the bank supervisory agencies with regard to the capital adequacy of all federally regulated banks. In addition, legislative attorneys reviewed a number of items for the OCC's legislative program.

Additionally, the legislative section advises the Comptroller about enforcement matters handled through formal administrative proceedings under 12 USC 1818(b).

The regulatory affairs section of LRAD also identifies laws, regulations, policies and supervisory practices which are burdensome, obsolete or inconsistent with other requirements. It ensures compliance with the regulatory review and improvement requirements imposed on agencies by the Depository Institutions Deregulation and Monetary Control Act of 1980, the Regulatory Flexibility Act of 1980, and Executive Order 12291. Responsibilities include developing measures of regulatory costs and benefits, offering alternatives for securing regulatory objectives, and representing the OCC before the Treasury Department and the Office of Management and Budget (OMB) in order to secure approval for regulatory changes. The regulatory analysis section works with other OCC divisions to achieve the OCC goals of rationalizing the regulatory framework and reducing overall regulatory burden. In addition, the division implements the requirements of the Paperwork Reduction Act of 1980 and acts as liaison with OMB in regard to paperwork matters.

During 1983, LRAD offered assistance or advice in the development of 14 notices of proposed rulemaking and 28 final rules. Additionally, LRAD guided the preparation of approximately 30 OMB Paperwork Reduction Act review requests (for forms, reports, letters, rulemakings, etc.) and 39 OMB Executive Order 12291 review requests (for rulemakings only).

At the end of 1983, there were approximately 30 rulemakings under development, including a complete revision of the Securities Exchange Act Disclosure Rules (12 CFR 11), an analysis of bank assessments (12 CFR 8), and the Corporate Applications Review and Evaluation (CARE) Program (12 CFR 5). LRAD assisted in the preparation of several workplans approved by the Treasury during 1983. The most significant workplan was the Garn-St Germain Act Master Workplan which included 13 rulemaking projects.

In addition to LRAD's ongoing program of reviewing each existing and proposed regulation, reporting requirement and banking issuance from a cost benefit and practical utility standpoint, the division prepared the annual Information Collection Budget, the Annual Report on Regulatory Simplification to Congress, and the Semiannual Agenda of Regulatory Actions required by the regulatory reform laws.

Industry and Public Affairs

In 1983, the structure of the Industry and Public Affairs Department was changed to serve the OCC's need to coordinate information and liaison with all external groups in its sphere of activities. The new organization is based on the components of the financial services community in which the Office operates. They are:

- Congress,
- The banking industry,
- Other financial services, community, and bank customer groups and regulatory bodies;
- The news media and the general public.

The department was divided into four units to reflect these groups. Communications handles the OCC's relations with the media and the general public, including Freedom of Information Act requests and publications and issuances. Customer and Industry Affairs handles liaison with customer and community groups and nonbank financial industries. In addition, the division tracks and analyzes developments in those industries and carries out OCC's consumer education and community responsibilities. Banking Relations handles liaison with bankers, bank trade associations, and state banking authorities. Congressional Liaison coordinates OCC's contacts with Congress—members, staff, committees, working groups, etc.

Communications

The Communications Division provides information and publications services. Information services include press releases, responses to press inquiries, general inquiries relating to the agency's mission and requests under the Freedom of Information and Privacy acts.

The Director of Communications serves as liaison between the Comptroller and the press. News releases are issued on significant OCC actions and on testimony before Congress by the Comptroller and the OCC staff.

In addition to producing OCC publications, the division also maintains subscription lists for the *Comptroller's Manual for National Banks*, various examination handbooks and other publications. The division issues and distributes banking circulars and examining issuances, interpretive letters and administrative directives. In addition, the division processes all submissions to the *Federal Register*, produces the *Quarterly Journal* and compiles the *Daily News Digest*.

Under authority delegated by the Comptroller, the division is responsible for making initial determinations on requests for records of the OCC under the Freedom of Information Act and the Privacy Act of 1974. In 1983, 1,351 such requests were processed.

Customer and Industry Affairs Division

In 1983, the Community Development Division was renamed the Customer and Industry Affairs Division and given added responsibility for providing liaison between the OCC and bank customer groups, as well as insurance, real estate, securities, and other nonbank financial industries. The division continued to be reponsible for the OCC's community development and consumer affairs functions.

As part of its new responsibility, the division established a monitoring system to help division staff recognize and report on the impact of external environmental factors/risks (including economic, technological, political, and social) on the financial regulatory structure, the financial services system and bank customers.

During 1983, the division chaired an OCC task force to assess bank products that address small business needs, and to identify regulatory and other barriers to bank delivery of those products. A report on the task force's findings was prepared for the Policy Group. Detailed informal consultations with major small business organizations, and speaking and press opportunities were used to bring some of the findings to the attention of small business. The division is continuing joint educational efforts with industry and small business groups.

The division planned four additional "Meet the Comptroller" forums in San Diego, Minneapolis, Chicago, and Houston in 1983, jointly sponsored by the OCC and the American Bankers Association. Approximately 600 national bank chief executive officers from 39 states attended the meetings to discuss deregulation and other key banking issues with the Comptroller and Policy Group members. The Comptroller also held separate meetings in each city with representatives of local government, small business and consumer orga-

nizations to discuss the benefits and implications of bank deregulation for the general public. Additional meetings are being planned for 1984.

During 1983, the OCC joined with the Federal Reserve Board and other federal agencies to survey consumer finances. The division participated with the Economic and Policy Analysis Division and the working group of agencies to develop the survey instrument. The survey is intended to update the Federal Reserve's *1977 Consumer Credit Survey*.

The division continued to be an active member of the agency's Bank Technology and Telecommunications (BaTT) Task Force during 1983, and the director served on the BaTT Steering Committee. The division continued monitoring consumer financial services resulting from new EFT technologies and organized two guest speaker presentations. The division continued to build a data base encompassing the status and development of new consumer services (e.g., home banking products, point-of-sale systems, ATMs, telephone bill payment services, etc.).

The division continued to expand the OCC's Community Development Corporation (CDC) program which now includes 14 national banks in 11 states that have created or invested in special venture capital corporations to provide loans, grants or equity capital to businesses and residents in local communities experiencing disinvestment. In June 1983, the division planned and coordinated the second CDC Roundtable to discuss individual CDC accomplishments, problems, and future directions. Participants included representatives from 11 OCC CDCs, six Federal Reserve Board CDCs, two proposed OCC CDCs, and staff from the American Bankers Association, the Federal Reserve Board, the Federal Home Loan Bank Board, and HUD. Extensive preparation included a CDC slide program and updated CDC profiles describing individual CDC accomplishments. Senior OCC officials participated as speakers at the Roundtable.

Technical assistance was provided to three banks in 1983, one of which created a *de novo* CDC subsidiary: United Bank of Denver, N.A., Denver, Colo. The other two banks are in the proposal stage and will probably request formal approval in 1984. Ongoing assistance also was provided to other national bank CDCs, whose activities range from rehabilitating low- and moderate-income housing to providing equity capital to small businesses.

During 1983, the division produced a key publication on small banks' economic development activities in rural markets, "Community Banks and Rural Markets: Case Studies in Economic Development." This concluded an ambitious research project by division staff to identify rural community banks that have successfully undertaken economic development lending which has had measurable impact on their communities and on their profitability or growth. After intensive research, seven banks (or bank consortia) were selected for detailed case studies. The booklet provides a picture of some of the strengths small banks can further exploit to remain healthy in a deregulated environment, and provides a review of deregulation impacts. All national banks under $200 million received copies, and the publication was made available on request to others.

The division represented the OCC on the Executive Committee of the Government-Business Forum on Small Business Capital Formation, chaired by the Securities and Exchange Commission (SEC). The purpose of this public-private effort was to share information and ideas on improving small business access to capital markets. Division staff were panel participants at the informal regional hearings that were held in five cities. A report summarizing the concerns expressed in the hearings was sent to Congress in November 1983. The hearings provided a unique opportunity to obtain the views on financial markets of a diverse group of small business leaders.

In 1983, the division continued to explore innovative ways in which public and private pension funds can be invested in small business long-term financing (debt and equity) through local bankers. The division provided technical assistance to the Allegheny County (Pennsylvania) Public Pension Board to establish a unique $20 million program targeted to provide long-term, fixed-rate loans to local small businesses through long-term "development deposits" from the pension fund to competitive local banks. The division wrote six articles on this subject in 1983, and made seven presentations to diverse audiences of state and local treasurers, county economic development officials, local bankers, and economic development professionals.

A 100-page study was completed in 1983 on Alternative Mortgage Instruments (AMIs). With the growth and variety of new mortgage instruments, the risks associated with each and their considerably more complex features, the study is designed to meet the need for more consumer education in this area. The study provides detailed background information on the major standard and alternative mortgage instruments on the market, and the process of home purchase and financing. It was provided to approximately 50 lenders, financial trade associations, consumer organizations, and individuals as a reference for providing

technical assistance on mortgage finance issues to banks, bank customer groups and consumers.

The division continued to provide technical assistance in mortgage financing, particularly cooperative housing financing, to lenders and bank customer groups. Major presentations and assistance in coordinating conferences were provided to the Cooperative League of the U.S.A., the Florida Community Resources Board, and the Federal Home Loan Bank of San Francisco with respect to market opportunities in cooperative housing financing.

Finally, the division provided staff support to the Comptroller in his capacity as a statutory member of the board of directors of the Neighborhood Reinvestment Corporation (NRC). During 1983, the Comptroller became the Vice Chairperson of the Board of Directors, chaired NRC's Audit Committee, was appointed to the Personnel Committee, and provided overall policy guidance on NRC programs. The division also was the agency's liaison to the Department of the Treasury's Consumer Affairs Council.

Speeches and Congressional Testimony

Remarks by Donald R. Johnson, Director for Trust Examinations, before the Advanced Trust Seminar, Citizens & Southern National Bank, Atlanta, Ga., October 13, 1983

"An Industry in Transition"

It is indeed a pleasure for me to have the opportunity to discuss some major developments that are affecting our industry and what the OCC is doing that may well affect you.

We are living in a financial world that we scarcely could have imagined 20 years ago, or indeed even 10 years ago. Old structures are crumbling and new blueprints are emerging. Both commercial and trust bankers appear to be entering a period of "free for all" competition as it pertains to every geographic location and to every service that bank and trust departments have offered. Competition in the financial markets can be both good and bad news for the public. On one hand, it increases competition and permits customers to shop around for the best price for the services offered; while on the other hand, this could lead to a decline of profits for a poor bank due to the high cost of money and, in turn, threaten the survival of the weaker ones or those that commit to an imprudent course.

Today, I will focus largely on trust departments, but because trust companies and trust departments are so intertwined with banking, my comments will generally be applicable to both bank and trust departments.

Bankers as Brokers

The Banking Act of 1933 is also known as the Glass-Steagall Act. Mr. Glass, a U.S. Senator, was also the principal architect of the Federal Reserve Act in 1913. Glass and Representative Henry B. Steagall were largely responsible for the Banking Act of 1933, and the two foremost provisions of that Act:

- The establishment of the FDIC, which has had an important impact and added stability to our banking system since that time.
- Prohibition of brokerage firms from taking deposits and banks to underwrite corporate securities, except municipals.

The Act erected a wall between the banking and securities industry and, in fact, divided one industry into two. Today, that wall is under severe strain, showing more signs of wear than in the past 50 years. Brokers led the first assault by receiving fees for investing their customers' funds in deposit-like accounts. Now, I would say that banks have moved to the fore by offering discount brokerage services, in some form or another, to their customers. BankAmerica Corporation and Security Pacific National Bank spearheaded the trend by offering discount brokerage services.

Today, approximately 600 banks and thrifts have either entered the business, or plan to; the majority by affiliating with established discounters. For example, sometimes a bank is responsible for marketing, taking account applications, and perhaps limited cashiering arrangements. It may also accept delivery of securities and perhaps clear orders through the customer's transaction account. At other times, arrangements are made with a broker to accept and confirm the trade, provide management reports to the bank, execute and clear trades, and generally maintain client information.

Then there is a full-service arrangement, with an expanded bank role which may result in a bank setting up a discount brokerage office, staffing it, and purchasing or leasing hardware. In this case, customers talk directly with bank employees and the outside brokerage firm duties are largely confined to executing the trades and perhaps providing some management services.

The question then arises as to the Comptroller's position with respect to trust department purchase of securities through affiliated discount brokerage companies. Trust Banking Circular No. 23, issued October 4, 1983, clarifies our position even though we felt it had been made clear earlier through letter rulings to various banks.

The general rule followed by the OCC is that national banks may only effect securities transactions through such an affiliated company if the transactions are performed on a non-profit basis. This would permit such transactions if a fee were imposed to cover the cost of effecting the transaction and no more. However, national banks would be expected to show, through a detailed cost analysis, that the amount of the fee charged was justified by the cost. Under no circumstances should the bank or its affiliates profit from such transactions.

There is an exception to the foregoing, which exists in cases where specific authority to effect transactions through the affiliate exists in the appropriate governing instrument or by local law. Additionally, in a limited

number of cases where beneficiaries of a particular fiduciary account are ascertained and competent, such transactions may be authorized by those beneficiaries.

It should be noted that accounts subject to the provisions of ERISA must conform to the standards contained in that Act. It would appear that the use of an affiliated discount broker would be a prohibited transaction with a party at interest. However, banks should seek their own interpretation of that Act by making a request to the Department of Labor.

In situations where an affiliation exists and authority is specifically granted by the governing instrument or local law, the OCC would still expect that the best execution would be sought and obtained. This, of course, would be applicable in all situations. When directed by a proper powerholder, excluding agency and custodial accounts, we would expect disclosure to the powerholder and interested parties of the conflict of interest position the bank assumes when it uses a discount brokerage affiliated with the bank. One has to keep in mind that under the common law, it is generally accepted that a fiduciary cannot profit from a transaction entered into for a trust account, apart from the fees it receives for discharging its fiduciary responsibilities. Therefore, the receipt of commission income for securities brokerage transactions entered into on behalf of a trust account, in addition to the fee received for account administration, raises the conflict of interest considerations. I believe the Federal Reserve position approximately parallels that of the Comptroller.

It should also be noted that, on August 10, the Federal Reserve Board added brokerage services to the list of activities that bank holding companies may engage in. It takes the position that its broker rule would not violate Glass-Steagall, which prohibits banks from underwriting and distributing corporate securities. Furthermore, it was stated that if the regulators do not undo federal law, the financial industry will continue to look for ways around it.

Many bankers believe that the real money is to be made in the investment banking area. Citibank, the nation's largest bank holding company, has already positioned itself, through its Capital Market Group, to eventually move into investment banking. Bankers Trust Company, with the intent to move that way, and other large banks are in the process of either formulating plans or have already moved to spin off their investment activities into a separate affiliate. The market for high-powered talent in investment banking [illegible] the time and tutoring Wall Street firms may be unwilling or unable to provide.

Insofar as gearing up investment advisory subsidiaries, in September the Comptroller approved an investment advisory subsidiary for the American National Bank of Austin, Texas. The subsidiary will provide individualized investment advice to accounts where the bank has investment discretion and to accounts where it is merely custodian with no discretion; sell investment strategy software to correspondent financial institutions; issue an impersonal investment newsletter; and operate a dividend capture program. In other words, it will cross-sell services. The decision reached by the Comptroller is that giving investment advice is a traditional bank service and offering it alone or in conjunction with brokerage does not violate Glass-Steagall. However, the bank will utilize brokers where necessary consistent with the subsidiary's best execution obligations. Again, the use of affiliated service to provide or deliver services to fiduciary accounts raises questions of potential conflicts of interest. The law is not always clear and may vary, depending upon the nature of the fiduciary relationship, the particular services being acquired, the state whose law applies, and various other factors.

Needless to say, the securities industry is now concerned about increased competition from banks. While it is desirable for Congress to act (and there are now four moratorium bills before it), nevertheless, it has been slow to act. Deregulation is making it even more important than before to provide a level playing field for all financial institutions. In today's regulatory climate, you have to think of the real world versus the practical world, and I believe there are many opportunities that have become available out of actions in the market place and by the regulators. Obviously, Congress isn't going to lead, but it may come along and validate what has already happened.

Money Market Funds

Last December, the DIDC leveled the playing field so that banks could compete with money market funds. Bank money market funds have soared from 0 to more than $350 billion. This has given the banking industry another investment vehicle in which it can compete with the mutual fund industry. The Comproller's position is that bank money market mutual funds are available for the investment of fiduciary funds under 12 CFR 9.10. There are some requirements that must be adhered to, mainly that you need to acquire the best rate of return for fiduciary funds, taking safety into consideration. The bank may not wish to pay a rate high enough to attract such funds, which might well preclude their use if a better rate of return with comparable safety can be realized elsewhere. You

have to be careful not to involve fiduciary funds in a conflict of interest. If leaving funds in your own bank's money market fund is not in the best interests of the beneficiaries, you must not yield to pressure that may be brought by your commercial bank management. Examiners will be alert for low rate of return and will probably move to request correction and possible reimbursement of accounts in such situations.

Nationally Chartered Trust Companies

Last week there were 37 nationally chartered trust companies, 27 of which were established within the last 18 months. This has provided a vehicle for bank holding companies in major money centers to follow their clientele who have moved to Florida, Arizona, and other Sun Belt areas. The trust companies do not make commercial loans or accept commercial deposits. Some are very unique in structure. Some have been established by mutual funds or brokers in order to enable them to compete more effectively with banks. If the restriction on interstate banking is lifted, those limited trust companies can be converted into full-service banks. Interstate banking has made considerable progress, as you all are aware, based on a regional concept in New England. Many banks are preparing themselves to compete in interstate banking which they consider inevitable.

Nonbank Banks

By using the national trust company approach and the position of S&Ls and thrifts, Sears Roebuck, National Steel, Dreyfus, Merrill Lynch, and others have managed to win some stake in bank-like functions by exploiting subtle differences among bank and thrift regulators. Prudential Company recently announced that it had hired Mr. Charles E. Lord, recently Vice Chairman of the Export Import Bank, formerly with the Comptroller's Office, and a long-time banker, as Chairman of Prudential Bank & Trust Company. It is not a bank under federal law because it does not make commercial loans. Mr. Lord will be responsible for the eventual entry of Prudential into the banking industry. These companies do provide services that compete with trust departments.

New Investment Vehicles/Fewer Restrictions

The deregulatory process has allowed trustees greater freedom in their use of investment vehicles and approaches. There is practically no instrument in which a fiduciary cannot invest, so long as it does not violate law, Prudent Man standards, the appropriate governing instrument, or a court order. However, responsibility has shifted from the bank regulators, who used to say "Thou shalt not invest in art, bullion, mutual funds, limited partnerships, or numerous other types of illiquid or unusual investments." Today, nothing *per se* is considered imprudent, and the decision rests with the bank to defend the prudence or legality of the investment in light of the needs of the account.

However, the trust business is changing dramatically and as you may have noticed, not only have many of your customers changed, but their philosophies have changed in many instances. They are looking for higher rates of return and many are willing to take more risks than in the past. They want to be better informed and they have more extensive knowledge of investment approaches and vehicles. They want to know why your bank is not using a sweep system, and why are you taking advantage of the float when you could be investing their funds. If you can't provide the vehicles of investment, then they'll move the funds elsewhere—where they will get what they want.

* * *

Regulations/Policy Changes

Because the OCC has integrated its examination approach, examiners (other than trust specialists) will be examining trust departments. The Trust Examinations Division has decided it is necessary to revise the existing *Comptroller's Handbook for National Trust Examiners*, which is furnished to all national banks. We will produced a handbook stylistically compatible with the existing handbook for commercial examinations but with additional explanatory text to assist the examiner who may be minimally trained in fiduciary activities. It should help the generalist examiner in the conduct of future trust examinations. In order to facilitate a comprehensive revision and to minimize costs, the project was designed to include an update/revision of existing general examination procedures, which is our full scope examination in trust. The new handbook is projected to go to press at the end of the year and should be in the hands of our examiners and your bank March 1, 1984.

The revised edition will have several features not included in the current one. Due to the fact that we examine approximately $10 billion worth of fiduciary assets abroad in American banks, we felt it necessary to include a section to guide those examiners in accomplishing the task. Another feature is that the Handbook will contain a glossary of fiduciary terms and synopses of the major regulations affecting trusts that are issued by other agencies, such as the Department of Labor and the SEC. Finally, the major portion of the Trust Banking Circulars and the Precedents & Opinions will be updated and include new ones issued since the last supplement in 1981. It will also include additional opinions from the Department of Labor which we believe will be helpful to examiners and bankers.

Of particular interest to you, even though you may not be auditors, is that the Audit Section of the Handbook will contain a number of changes. We hope to introduce more flexibility into the mandatory audit requirements now in the Handbook by giving the internal auditor greater decisionmaking control of the scope of the internal audit of the trust department. We have found, over the years, that the quality of auditing in trust departments by internal auditors has shown substantial improvement, and we recognized this by permitting the 36-month verification of assets, providing the bank's internal controls were sufficient; and introducing statistical sampling for use by the auditors to satisfy the requirements of 12 CFR 9.9. On the other hand, administrative auditing has been inserted so that there would be a well-rounded audit program.

We have decided to make some audit items that are now mandatory optional. We will probably permit the use of risk assessment so that auditors can focus their resources on the points that present the greatest risk to the bank. This is not to say that an auditor will be able to ignore the trust department if there are greater areas of risk within the bank, for it must be remembered that the regulation requires an annual audit that is suitable to the board of directors and in conformance with the requirements of this Office. This leads me into a related project that may affect your bank.

CPA Audit

It is public knowledge that the OCC has been considering requiring every national bank and its affiliates and subsidiaries to be audited at least once each 12 months by an independent auditor who is a Certified Public Accountant. This is to aid the Comptroller's Office in ensuring the safety and soundness of each national bank. It would also help assure the public and investors that the bank is being operated in accordance with sound policies and procedures. The audits would not take the place of OCC examinations. CPA workpapers will be made available to the OCC and the CPAs will review functions requested by the Comptroller's Office. The costs for the audit will be borne by the bank.

In the trust area, we have visited several banks that now have CPAs audit their trust departments. We have reviewed those audits and talked with the auditing firms. We have met with the AICPA representatives and talked with CPAs to determine their capabilities to perform some of the functions that are normally performed by the trust examiner. We have no intention of duplicating those things that are performed by an internal auditor or the CPA. The project itself is well [illegible] you will hear more about it as it will be necessary to publish the regulation in the Federal Register for comment.

Collective Investment Fund Amendments/12 CFR 9.18(c) (5)

In October 1982, the Comptroller approved Citibank's application to operate Individual Retirement Account common trust funds, maintained and managed by the bank. In that decision, the OCC relied heavily on the fact that an IRA is a trust account and treated Citibank's activity as an extension of the bank's traditional trust activities. That decision is now being challenged in a law suit brought by the Investment Company Institute, which takes the position that the proposed Citibank activity violates Glass-Steagall in its prohibition on bank underwriting and distributing securities. We believe that the Comptroller's decision is likely to be upheld; however, that will hinge on whether the courts find that Citibank's activities are merely an extension of traditional banking services. We further believe that banking organizations should be able to combine investment advisory/agency accounts and collectively invest these funds because the public will benefit. These are traditional trust department services and combining them would give the public full benefit of its services and expertise. Generally speaking, our experience is that collective investment fund regulations are much too detailed and should be eased.

Another change in Regulation 9 to be published for comment is the elimination of the 10 percent investment and participation limits, deferring to state law as to prudency. Additionally, it would eliminate the prohibition on fees, again deferring to state law, and that which pertains to investment costs and operating expenses chargeable to the funds. We hope to ease the prohibition on advertising of collective investment funds, parallel to federal securities laws. As you may recall, the advertising restrictions have been there since 1937 to ensure that collective investment funds were for the convenience of the public and were not to be sold. We also hope to eliminate the filing requirements of those funds and permit the Board of Directors to delegate its responsibility for the approval of such funds to an authorized committee. We are hopeful that it will eliminate the requirement that collective fund investment in a variable amount note be only for a short term basis, as is now the case. Finally, we anticipate that the amendments will provide procedures that would expedite the approval of new funds.

Fiduciary Powers—New Policy

The OCC is also proceeding to transfer the approval of trust power applications that are filed by established banks from Washington to the districts.

The proposed rule was in the Federal Register on September 27 and after a 30-day comment period, a final rule will be issued. These procedures should be finalized by the end of the year.

The Washington Office will continue to be the central depository for all the records of banks having trust powers, and will continue to issue certifications requested by banks from time to time for settlement of bond issues or other corporate purposes. The Trust Examinations Division in Washington will continue to handle trust powers for nationally chartered trust companies which are often unusual in nature, problem banks, or other specialized situations.

The granting of trust powers in the future will largely focus on the background and experience of those who are proposed as trust officers for the bank. The filing of the applications may be reduced to a letter from the bank stating they wish to start a trust department, citing biographical information on trust management. In other words, entering the trust business would largely be a management decision and the regulator will have a diminished role in its approval.

Summary

Managing financial institutions and determining their safety, either by you or us, is and will become more demanding. Monitoring performance and the evaluation of risk-taking by your managers, who have considerable techinical skills and technical knowledge, will require improved management and audit surveillance. You cannot immunize certain institutions from all the risks associated with the fluctuating economy or indeed, from new ventures and services. Your bank cannot ignore its fiduciary responsibilities either on the commercial or trust side of the bank, as its behavior is always open to public scrutiny.

Banks are attempting to innovate and provide services, and to compete effectively in areas in which they have had limited or no experience. Innovation is often encouraged by regulation, as has been demonstrated. Financial institutions will attempt to find ways to pass around, over, by, or through the loopholes. Our financial framework is more diverse and perhaps less structured than it has been in my memory. Trust departments today, as we know them, are fighting for their very survival. Some banks have taken a more dramatic approach and integrated their trust departments with commercial banking; others have spun off their investment departments into a separate trust company or an affiliate of the holding company, and will attempt to serve a nationwide market in competition with mutual funds. Others of you, for many years, have operated in a somewhat structured and staid environment, without much regard for bottom line dollars and cents return. You are probably being pressured by management to justify your existence on a profitable basis.

Viewing the trust business from my vantage point, I feel that there will be more integration of trust into commercial activities and that it will be along market lines.

One of the most important questions that must be answered today is whether trust is a business or a series of products. Today, the answer may be that it is a series of products. I believe that banks will stop duplicating services in different departments and will begin to consider the bank as a whole. There will be more cross-training of trust and commercial bank officers, and trust officers will have lending capabilities. There will be more emphasis placed on strategic planning, that trust officers will either contribute materially, or lose their ability to be masters of their own fate, as they see their trust department disbursed from under them.

Commercial and trust officers have often had a different mindset. Commercial officers are transaction-oriented, using mechanical delivery. Trust officers are relations-oriented, using personal delivery. Commercial banks have traditionally been interested in high volume transactions in the consumer market. Trust departments, on the other hand, have been interested in high net worth customers and did not solicit young professionals who came to the bank to borrow money in the early stages of their careers. Therefore, they did not instill a loyalty into these customers which could later be used to the advantage of the trust department. In other words, a customer could not really say "This is my banker" as we hear in the market place or "This is my broker" or "This is my insurance agent."

Finally, it seems feasible that there will be more marriages between the trust and securities industry as we move forward with integration, and as the competition continues to escalate. I have often thought that trust banking is closer to the securities industry than it is to commercial banking. I see more brokers and financial-oriented companies starting trust companies or buying their way into the trust business in order to offer a package of services to the public.

Today, we are in uncharted waters. The changing financial environment perhaps gives you a greater challenge than ever before in history, and I am sure you will continue to respond in a highly professional manner that has always been the keystone of the trust industry.

Remarks by Doyle L. Arnold, Senior Deputy Comptroller for Policy and Planning, before the Financial Times Conference, London, England, October 25, 1983

"Through the Looking Glass: A Regulator's View of the Financial Services Revolution"

I welcome this opportunity to provide a U.S. banking regulator's view of the financial services revolution.

If asked to describe the environment of the financial services marketplace today, I would have to compare it to Alice's Adventures in Wonderland at exactly the moment that Alice encountered the blue caterpillar after falling down the fateful hole. Upon seeing her, the caterpillar inquired: "Who are you?" To which Alice shyly replied: "I—I hardly know, sir, just at present—at least I knew who I was when I got up this morning, but I think I must have changed several times since then."

I submit that the entire financial services marketplace is having the same kind of identity crisis that Alice had. The days of separate and definitive banking, insurance, securities, and real estate industries are gone. What we see instead is a somewhat formless giant that includes aspects of each and exciting combinations of many never before seen. As we progress in the 1980s and beyond, this formless giant will continue to grow and change in ways beyond our imagination.

And in the midst of this revolution, financial service regulators must ofttimes seem to be constantly rushing about like the Mad Hatter, who, as you recall, was always "late, for a very important date." My task today is to describe a regulator's view of this very important date, and what we should do if we can ever catch up to it. To do that, I would like to discuss several points:

First, what are the goals of financial service regulation and historically how have they been achieved?

Second, what has caused this revolution in financial services, and does that revolution threaten the achievement of the goals of regulation?

Finally, what should be the regulators' response?

The Goals of Financial Service Regulation

Financial service regulation in the United States has always rested on three pillars or goals:

1. To preserve institutional solvency;
2. To prevent concentrations of financial power at [illegible];
3. To [illegible] widely available.

This first goal, preservation of institutional solvency, is widely shared among the financial regulators of the world. The second and third are perhaps somewhat more specific to the United States. They are related to each other and grow out of our agrarian, populist and democratic heritage, which places a high premium on providing credit for home and farm ownership and for small business, and an equally high premium on preventing concentrations of financial power that could threaten the political process.

Our national policies, of course, differ significantly from those of many countries represented here, whose financial resources are more concentrated and in which a partnership between government and financial corporation is much more important in the allocation of credit. While the financial service revolution is not limited to any single nation—it is, in fact, global in scope—my experience in the United States will necessarily color my remarks. I fully recognize that in other lands the regulatory response can and will be different. Even within our own borders there is far from total agreement among our many regulators on what should be done.

Almost by definition, the basic purpose of financial service regulations is to limit competition. In the United States, there have been three essential types of regulation that are consistent with the three goals mentioned earlier.

The first is price regulation. It has prevented interest payments on certain types of deposits, and regulated interest rates on others. The purpose of price regulation is to prevent excessive price competition that was incorrectly credited as a cause of many bank failures in the 1930s. Another purpose is to increase the availability of credit to finance home ownership by allowing thrift institutions to pay a slightly higher rate than banks.

The second is geographic regulation. It prohibits nationwide branching, and in certain states even restricts intrastate branching. The purpose, perhaps somewhat paradoxically, is to both limit competition, and preserve local availability of credit while preventing concentrations of financial power.

The third is product regulation. Generally, it prohibits banks from engaging in the insurance business and

underwriting corporate securities. On the other hand, it has provided banks with a monopoly on the essential element of our payment system, the demand account.

For a time, these three types of regulations effectively segregated major product groupings into discrete industries and limited competition between them. And distinct regulatory agencies were created for each industry. Furthermore, while regulation allowed the insurance and securities industries to be national in scope, savings and lending were effectively confined to local markets. In fact, it was not until the last two decades that the Fed Funds and CD markets made it possible for banks to more easily move excess funds to areas of need.

At the same time, two other very important types of control evolved to reduce the risk of institutional insolvency and protect the flow of credit within local communities. These were confidential bank examination and deposit insurance. The former was designed for early identification of individual banks that were encountering difficulties so regulators could work with them in confidence to rectify the problem. The latter was originally designed to mitigate the effects of bank failures, but has had the corollary effect of reducing the number of banks that fail by increasing public confidence in them. This has "bought time" for the confidential correction of problems by banks and their supervisors.

What were the results of this system of regulation? A remarkably unconcentrated industry with over 40,000 individual depository institutions providing local credit, plus several thousand insurance and securities firms. Another result is a very low rate of institutional insolvency, and, I might add, until recently a rather low level of competition.

Causes and Effects of the Financial Service Revolution

What happened to this happy world? What caused Alice to start that fateful crawl down the rabbit hole into Wonderland? Some would say that the regulators, through a "competition in laxity," have caused deregulation. But, however tempting it may be to blame such a villain, this explanation, of course, is not true. Even if it could explain the U.S. experience, where our regulatory structure is as fragmented as our financial industry, it cannot explain the revolution in financial services that is occurring simultaneously around the world.

The real answer has been well documented by others. It is that technology has made new products possible, and inflation has provided an incentive for consumers to want them and for marketplace innovators to provide them. I will not describe those new products by name or in detail; many others in this seminar have already done so. But I do want to discuss three key results of the proliferation of new products in the U.S.

First, price barriers have been broken down. Interest rate ceilings were repealed by the marketplace long before they were repealed by the U.S. Congress.

Second, geographic barriers have been broken down. National markets have become international, local markets have become national. Virtually all savings and lending rates in the United States are now effectively determined by a free market that is national, even international in scope. Only the actual decision to lend remains local in the case of some consumer and small business lending. In these cases local knowledge remains important in the delivery of the service.

Third, product barriers have been broken down for many services. Banks have lost their monopoly on the payments system. About the only effective barriers remaining are those that keep some types of banks out of the insurance and corporate securities underwriting businesses.

Not one of the three pillars on which the regulatory structure in the United States was based remains intact. As a result, banking and the other financial services have taken on the characteristics that Michael Porter of the Harvard Business School identified as typical of a highly competitive industry:

- There are a large number of competitors, none exercises market leadership (and the government has abdicated this role).
- Competitors lack common objectives, and there are no agreed upon rules of the game.
- Industry growth is slow.
- There are high fixed costs, so there is an incentive to cut prices to fill capacity and absorb overhead.
- Exit from the industry is restricted. Geographic and product barriers still effectively eliminate many avenues to "sell-out" short of failure.

Like Alice, we find the world turned upside down. And somewhere there must be a Cheshire cat, watching over the scene in bemusement, ready to move on leaving only a smile behind.

Some of the results of this topsy-turvy environment are obvious; others are difficult to predict. There will undoubtedly be significant consolidation in the commercial banking industry, although not nearly as much as some have feared. One recent study by Arthur

Andersen & Co. predicted a shrinkage from 14,000 banks to [illegible] by the end of this decade. This finding is supported by a study performed by a group called the Management Analysis Center. The Center identified the continuing local nature and highly personal content of the credit extension decision. They argue that these characteristics limit the ability of banks to obtain economies of scale in the delivery of certain financial services. Combined with the limited attractiveness of many local markets, these factors may make the economics of consolidation unattractive beyond a certain point.

A second effect will be a continued high degree of competition among all types of financial service providers. As a result, the distinctions between types of financial service providers will be blurred, and the national market will become integrated. This blurring of roles has already reached the point that the only workable definition of a bank in the United States today is, "an institution that can accept government-insured deposits." In effect, nothing else distinguishes a bank from its competitors. Yet despite this blurring of roles, numerous observers predict (accurately, I believe) that many types of specialty boutique financial service providers will survive and thrive.

A third major effect will be a higher rate of bank failure. This is, in part, a direct result of increased competition. Unfortunately, this high rate is also caused by laws that limit banks' product and geographic powers, and thereby limit their abilities both to compete and to diversify risks.

Finally, this higher failure rate will make deposit insurance take on increasing importance. Consumers will want the benefits of such insurance and institutions will attempt to provide it for an ever-widening circle of financial products. As a result, the risks of this new competition will be shifted to the government, while individual consumers and financial institutions reap risk-free rewards. Indeed, this shift is already taking place as money brokers split very large sums into insurable $100,000 increments and place them in separate institutions.

The Regulatory Response

In such an environment the regulator's prescription is naturally colored by the degree of alarm that is generated when each result is measured against our three traditional goals of regulation.

Certainly, the increasing industry concentration evidenced by a decline in the number of commercial banks [illegible] no cause for alarm. No threat to the safety [illegible] to the overall availability of credit, seems to be lurking there at least in the foreseeable future. In fact, it is easy for one to make the case that increased competition among financial service providers will promote more credit availability and prevent concentrations of financial power. For that reason, most if not all, remaining legislated geographic and product barriers between financial services should be removed.

Nor do we need to be overly concerned about a slightly higher rate of bank failures in the U.S. In many European countries, where there are only a handful of financial service providers, the government can and must prevent the failure of even a single institution. In the United States where there is the continued prospect of thousands of financial service providers, the government cannot and should not prevent every failure. Furthermore, the health of the financial system is not affected by solvency threats to a few individual institutions. In fact, the threat of failure can be mitigated somewhat by merely freeing banks from their geographic and product restrictions and permitting them to compete against their less restricted rivals, and to more easily exit the industry through merger before failure should that become advisable.

On the other hand, what could threaten the safety of the system is to continue shifting the risk of failure to the government insurance fund. If this trend continues, institutions and their customers will have every incentive to engage in ever more risky endeavors without fear of bearing the cost of those risks. In effect, the government would underwrite and subsidize the risks. This reality underlies one of the most important debates about financial service deregulation in Washington. It is the reason that many argue that we should somehow limit the activities of deposit brokers. It is the premise on which pleas are made to change the FDIC rules on the handling of failed banks, so that uninsured depositors may not always be made completely whole when a failed bank is merged with a healthy institution. This reality is implicit in proposals to relax product restrictions for the bank holding company, rather than in the bank itself. Many maintain that providing new services through holding company subsidiaries would effectively limit government insurance coverage to "traditional" bank services. I share in these very valid concerns, and believe that the effective limiting of deposit insurance coverage is one of the most essential steps that must be taken as we deregulate further.

The desire to limit government insurance coverage also lies behind the new requirements by bank regulators for more disclosure of information about the financial condition of banks. These requirements may be anathema to many of you in this room who are used to a close, confidential relationship between the regu-

lator and the regulated, within which problems are worked out. However, in a highly competitive marketplace with the continued prospect of more than 9,000 competitors, we in the United States can no longer afford that luxury. We must enlist the discipline of the marketplace to supplement the discipline provided by a beleaguered army of regulators. That means limits on insurance, so that those who would reap the rewards bear the risks, and adequate disclosure of information so that bank customers may judge the risk for themselves.

Finally, the regulatory agency system in the U.S. itself must be changed from one fundamentally based on regulation by structure to one of regulation by function. Since distinct product groupings are no longer confined to discrete industries, we can no longer assure equitable regulation by having a separate regulator for each industry. We must shift toward a system in which similar products are regulated by the same regulator regardless of which industry offers them.

Conclusion

There you have it—a regulator telling you that much more deregulation must take place, that deposit insurance coverage should be limited, and that public disclosure of information should be increased, that the way regulators do business must fundamentally change. You must feel that you too have taken the grand tour through Wonderland. But do not despair. After all, eventually Alice finds her way back home. So will banks when they have the expanded powers they need to compete, and when market discipline becomes more important and government supervision less important in guaranteeing a safe and sound banking system.

Statement of C. T. Conover, Comptroller of the Currency, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the House Committee on Banking, Finance, and Urban Affairs, Washington, D.C., October 27, 1983

Mr. Chairman and members of the Committee, I am pleased to present my views on several subjects that you are considering: H.R. 1013, which authorizes the payment of interest on reserves held by the Federal Reserve System; H.R. 3535 and H.R. 3895, both of which would remove the prohibition against the payment of interest on demand deposits; and the role of deposit brokering in our banking system. The views I express today are my own and not necessarily those of the Administration.

I would also like to take this opportunity to present my views on the financial reform that has occurred so far and on the challenge all of us face in completing the process. In particular, I believe that continued deposit deregulation without allowing banks to offer expanded financial services will be both disruptive and harmful to the banking industry and the general public.

Interest on Reserves

H.R. 1013 would require the Federal Reserve Banks to begin paying a market-determined rate of interest on reserves held against Money Market Deposit Accounts and Super NOW accounts. The bill would not authorize the payment of interest on reserves held against other types of accounts.

I strongly support the payment of interest on all required reserves. I recognize that interest payments on reserves would have an impact on federal revenues. But requiring depository institutions to hold non-earning reserves at the Federal Reserve Banks represents an unfair tax on these institutions. During periods of high interest rates this tax can be especially burdensome. At current short-term interest rates, depository institutions will give up approximately $2 billion in pretax income in 1983 as a result of reserve requirements. The magnitude of this tax is evidenced by the number of banks that left the Federal Reserve System prior to 1980, when reserve requirements were mandatory only for member banks.

The imposition of non-earning reserve requirements on transaction accounts and certain time deposits also puts depository institutions at a competitive disadvantage. Money market mutual funds, which also offer transaction accounts, escape reserve requirements by use of zero balance checking accounts at depository institutions. And, partially as a result of

reserve requirements and their effect on bank loan rates, large corporations often find it cheaper to borrow directly from the commercial paper market than to borrow from commercial banks.

Interest on Demand Deposits

The Committee has before it two bills that would remove the prohibition against payment of interest on demand deposits. H.R. 3535 would remove those prohibitions immediately and would grant thrift institutions unlimited authority to accept demand deposits.

H.R. 3895 differs in two important ways. First, it maintains the current requirements regarding thrift institutions' authority to accept demand deposits. Second, payment of interest on demand deposits by banks would be subject to rules issued by the Depository Institutions Deregulation Committee.

I support the payment of interest on demand deposits held by banks, but only as part of comprehensive financial reform. The prohibition of interest on demand deposits is one of the last remaining interest rate constraints on deposit accounts. Removal of the prohibition is a logical final step in deregulating interest rate ceilings, providing it is done in conjunction with the removal of product and geographic barriers.

In addition, interest on demand deposits would benefit small businesses. Unlike individuals and other noncorporate entities who may hold NOW accounts and Super NOW accounts, businesses do not have access to interest-yielding transaction accounts at banks. And, unlike larger firms, small firms do not frequently utilize the sophisticated cash management services that would enable them to minimize their non-interest-earning balances.

Finally, authorizing interest on demand deposits would remove a competitive inequity between depository institutions and money market mutual funds in the competition for corporate accounts. Money market funds can now provide the equivalent of interest-bearing demand deposit accounts.

While I support the payment of interest on demand deposits, such an action should be taken only as part of a more comprehensive set of measures to reform our financial system. Therefore, I cannot support passage of either H.R. 3535 or H.R. 3895 as stand-alone legislation.

Comprehensive Reform Is Needed

[illegible] would be a [illegible] deregulation has already disrupted banks' balance sheets, raised costs without granting authority to find new income sources, and resulted in regulatory disparities between different types of institutions that provide similar services.

Permitting commercial banks to pay interest on demand deposits without expanding their ability to generate new sources of income would continue an unbalanced approach to deregulation of the commercial banking system. Banks need additional product flexibility because the increase in the cost of funds associated with paying market rates for deposits has put pressure on their interest rate margins.

As a result, banks are in the process of reevaluating their current business operations. Branching networks are under scrutiny, fees are being raised and unprofitable accounts eliminated. If we continue to deregulate bank liabilities but give banks no additional flexibility to offset these added costs, I fear that banks will be unable to maintain their traditional level of services.

Moreover, I do not believe that the payment of interest on reserves and authorization to pay interest on demand deposits should, as some have suggested, be viewed as offsetting measures—one increasing bank income, the other increasing costs. The payment of interest on reserves would certainly benefit banks, but it does not address the fundamentally unbalanced approach of deregulation to date.

Similarly, it would be a mistake to grant thrift institutions authority to accept demand deposits without removing the differences in the legal framework governing commercial banks and thrifts. The more similarities that exist between the product lines that banks and thrifts can offer, the more important it becomes to equalize their regulatory treatment. Elimination of disparities in capital requirements, tax treatment, geographic restrictions, and the ability to expand into new lines of business should be part of any financial reform.

Few can seriously question the importance of the deregulation that has occurred thus far. But the success of this deregulation makes further reform all the more important. New product powers will enhance the ability of institutions to compete and thus the public will benefit. For example, banks' ability to offer cash management services to small business would be improved if interest-bearing demand deposits could be complemented with mutual fund services. In fact, banking offices that are unprofitable today may become profitable if they can also be used as an outlet for other financial products such as insurance, real estate, and securities brokering.

Deposit Brokering

I would like now to comment on deposit brokering, an issue that has received considerable attention over the past 15 months, particularly in regard to the activities of brokers in failed banks. In considering any problems associated with such activities, it is important to remember that deposit brokering, like many other types of brokering, performs a valuable economic function.

Deposit brokering can be an efficient means for institutions to attract deposits. In fact, large institutions have used brokers for years to attract large deposits both in the U.S. and overseas. Moreover, as margins are increasingly squeezed by interest rate deregulation, the cost of gathering retail deposits through brick-and-mortar branches may become prohibitive. Collecting some deposits through brokers is a viable and rational alternative.

For depositors, brokers serve to expand the available deposit options. Without brokers, customers would have convenient access only to institutions serving their local market area, which, due to geographic constraints that restrict competition are often limited in number.

While the activities of deposit brokers have long been of some concern to the Congress and the agencies, the issue took on increased importance with the failure of Penn Square Bank, N.A. in July 1982. The bank was funded with a significant amount of brokered deposits, which were largely uninsured and resulted in losses to many depositors.

Ironically, the Penn Square Bank failure caused the nature of the problem to change. Now, the activities of some brokers are centered around providing large depositors with complete insurance coverage by dividing their deposits into units of $100,000 placed in several institutions. Thus the concern has shifted from the risk to the uninsured depositors toward the implications of institutions being able to attract large amounts of fully insured funds.

Use of Brokers Raises Supervisory Concerns

While the benefits of deposit brokering are substantial, there are legitimate supervisory concerns. For example, when a bank experiencing liquidity problems can turn to brokered funds rather than borrow from its Federal Reserve Bank, supervisory detection of problems is hampered. Moreover, the use of brokered funds can enable a bank to undergo sudden, rapid growth. Whether this is a problem, of course, depends not on the role of the broker but on how the funds are put to use. If a bank is imprudently managed, chances are that sudden growth will reflect increased risk. In short, one negative effect of brokered funds is to enable small problem banks to quickly become larger problem banks. On the other hand, brokered funds could be of substantial assistance in relieving a liquidity crisis.

There are steps that can be taken to alleviate these supervisory problems presented by deposit brokering. We are placing emphasis on these deposits during the examination process. Restrictions on the use of brokered funds may be imposed on banks subject to special supervisory attention. The federal banking agencies have already begun requiring that commercial banks disclose holdings of aggregate brokered deposits in their periodic call reports. Information was collected on the total amount of brokered deposits beginning with the September 30, 1983 call report. Further detail will be collected on the amount of retail brokered deposits beginning with the March 31, 1984 call report. This information will assist each agency in detecting trends in the use of brokered deposits.

Brokers Raise FDIC Liability and Reduce Market Discipline

The supervisory issues raised by deposit brokering are not unique and can be dealt with by the agencies. However, the increased use of brokered funds is the consequence of a major defect in our present system of deposit insurance. More specifically, two fundamental problems are raised when brokers attempt to provide large depositors with complete insurance coverage by placing funds in $100,000 amounts in several different institutions.

First, the exposure of the federal deposit insurance funds is increased. This is particularly true when these fully insured brokered funds flow to weak banks offering higher rates.

Second, when large depositors can obtain full insurance coverage, banks are not subjected to the market discipline that might otherwise be provided by such depositors. When depositors can place funds with institutions solely on the basis of yield without regard to the riskiness of the institutions, bank managers escape the scrutiny of the marketplace. This puts an increased burden on the regulators to limit risk taking by banks and hinders the achievement of what I believe to be an important public policy goal, increased market discipline.

Possible Solutions

Banks, brokers, and depositors are responding rationally to the incentives in our current system of [illegible]

insurance. Any attempt to restrict brokering or differentiate brokered funds from nonbrokered funds will be largely ineffective, because the incentive to split deposits into $100,000 units would encourage the development of near brokering services that would not fall within the chosen legal definition of deposit brokering. For this reason, I am not in favor of proposed solutions that call for brokers to register with or report to the FDIC, general limitations on the amount of brokered funds that banks may hold, or adjusting insurance coverage for brokered funds.

In the near term, I believe that we can and should rely on our supervisory capabilities to deal with problems raised by deposit brokering. Increased reliance on examinations and reporting of brokered funds should be adequate to monitor and control, on a case-by-case basis, the use of brokered funds by individual institutions.

Over the longer term, the regulatory agencies, the Administration, and the Congress must develop measures to reform our deposit insurance system to prevent it from insulating depository institutions from market discipline. Workable solutions are difficult to develop so long as our insurance system allows large depositors to obtain full insurance coverage by splitting up their funds into $100,000 units.

One possible approach that I suggest for discussion involves three specific changes to the deposit insurance system:

- First, change the procedures so that uninsured depositors are not always made whole in government-assisted mergers of failed or failing institutions.
- Second, require public disclosure of more information about the financial condition of banks and thrift institutions, so that large depositors can adequately assess the risks involved in depositing at a given institution.
- Third, limit the deposit insurance of each depositor to $100,000 or some higher amount for a given period of time, such as 3 years. This would prevent brokers from being able to offer 100 percent insurance to large depositors, since only the first $100,000 or more of each depositor's funds would be insured, no matter where the funds are deposited.

Together, these changes would enlist the discipline of the large depositor to supplement that provided by the regulators. Depositors would still have an incentive to use deposit brokers to diversify their risk. Concerns over possible runs on weak institutions would be allayed because the many small depositors would not be affected by these changes. Finally, it would mean that those who reap the rewards would bear the risks, instead of having the risk of failure shifted to the insurance fund. The result would be a step forward in deregulation because market discipline would play a more vital role in the safety and soundness of the system.

Remarks by Brian W. Smith, Chief Counsel, before the New York County Bar Association, New York, N.Y., January 11, 1984

"The Evolution of Financial Services: Implications for Regulation"

It is an honor to be here today to discuss the evolution of financial services and the implications for regulation.

The debate concerning the future regulation of the financial services industry has been a long and intense one. But proponents of change have made [illegible] in the past year. In fact, legislation to [illegible] deregulatory concern has [illegible] congressional [illegible] coming weeks. I feel [illegible] will be taken to provide banks with the powers they need to compete in today's marketplace.

Since we are fast approaching the ultimate decision on what is and what isn't appropriate for banks, I thought it would be interesting to examine the competitive trends, socioeconomic pressures, public policy concerns, and the implications of each for the future of regulation. I believe that this examination will lead us naturally to a comprehensive solution to the problems facing the financial services industry today.

Competitive Trends

We'll start with the most obvious of the forces—the competitive trends in the marketplace. One trend that we have all witnessed is the new providers that are entering the marketplace.

Consumer banks and limited purpose banks have entered through a so-called loophole in the Bank Holding Company Act. This "loophole" enables them to offer banking products without being subject to many of the usual restrictions placed on banks. In fact, they may not even be subject to barriers against interstate banking.

The securities firms and the other businesses that own most of these consumer banks or special purpose banks have a primary business other than banking. By adding new banking products they are able to attain both economies of scale and of scope. For instance, they can push new banking and financial service products through their existing delivery system to reduce overhead cost. They can also use the sophisticated computer power developed for their primary business for the new financial service products.

Many are using the consumer banks as a method to make their primary operation more effective. In the case of securities firms, they can use the consumer bank for check clearing on money market accounts or on cash management accounts.

Another important new factor is the increased competition from savings and loan associations. The passage of Garn-St Germain gave S&Ls almost all banking powers. In fact, in many respects their charters are superior to those of a bank. They can engage in real estate development, insurance activities, and can merge and operate ATMs across state lines.

Another important competitive trend is the impact of technology on the development and delivery of financial services. Externally, technology has two important effects. It makes new combinations of services possible to meet consumer needs. Money market mutual funds and cash management accounts are the most obvious examples of this phenomenon. Then, too, it makes those services available at lower cost and at greater convenience to the consumer.

Internally, technology in the form of automation greatly influences operational efficiency and the ability to generate management information required to run an institution. So, in a rapidly changing environment, banks that are constrained by inadequate systems will lose a substantial competitive edge and will face great difficulty in obtaining productivity gains needed to counter shrinking profits.

Another competitive factor is the role the states have played in providing banks with new powers. While Washington has been somewhat slow to act, states have not. For instance, there have been state and regional efforts to remove geographic barriers. Alaska, New York, and four New England states, among others, have sanctioned interstate banking operations.

The states have also taken the initiative to provide banks with new product powers. South Dakota, Delaware, and California have expanded the asset powers of their institutions.

The fact that banks are actively positioning themselves for further deregulation is another observable trend. One sign of this positioning is the increased interest in stakeouts, acquisitions, and mergers.

The big bank holding companies see an opportunity to get a head start on interstate banking. Through acquisition and merger, franchising products and services to correspondents, and networking they can have their system in place when interstate banking finally arrives. When the law changes, all they have to do is change the signs on the doors.

For regional and medium-sized banking, acquisition and merger can help them to compete with the large banks. These strategies can be used to fill voids in their service structure and permit them to attain economies of scale.

Some small banks may decide they don't want to compete and simply opt out. They may actively seek to be acquired. As a part of a larger distribution system they may be able to provide more products and services more effectively to their customers. At the same time, the current climate of acquisition has many small banks running scared. They fear that there will be no way for them to avoid being acquired. Networking and joint ventures, bank service corporations, and bankers' banks have increasingly become vehicles for small banks and S&Ls to at least stay even, at best get ahead, in the competitive race that is emerging.

So we can see, in terms of the competitive trends in the marketplace, we are definitely moving towards a realignment of the delivery system, greater product powers, and fewer geographic barriers.

Socioeconomic Pressures

Now I would like to examine the socioeconomic pressures that are exerting themselves on the financial

services marketplace. For one, studies suggest we have become a nation of pragmatists. We are not about to accept a program until we are convinced that somehow it will benefit us.

If you are a typical member of the public you will not accept further deregulation of the financial service marketplace unless you are convinced that it is both workable and cost effective, that it will result in more jobs rather than fewer jobs, and that it won't mean higher interest rates on loans.

At the same time this pragmatic point of view means that you are more prone to risk taking if it is tempered with prudence. You are more willing to rely on the free market system rather than government regulation. Finally, consumers are increasingly convinced of the importance of convenience and more and more likely to believe in the concept of one-stop banking.

The American people are quick studies when it comes to finance. The recent past bears testimony to that. When soaring interest rates and a bear stock market made banks and Wall Street less profitable, people withdrew their savings from the banks, sold their stocks and took advantage of higher yields elsewhere. By the same token, as the market improved and banks were permitted to pay market rates of interest, their money quickly flowed back to where it could gain the highest yield.

So even though the word deregulation carries some pretty negative connotations, consumers seem to have little trouble seeing the benefits.

Unfortunately, if banks are not provided with new powers soon, consumers may well reverse their current attitudes toward deregulation. Banks will have to make up for lost earnings caused by interest rate deregulation by increasing fees if they cannot obtain economies of scale by pushing new products through their existing delivery systems. Opinion polls suggest consumers may blame the added service charges on deregulation rather than recognizing them as the results of partial deregulation.

Another of the current socioeconomic pressures that will play an important role in the future of regulation is consumers' reluctance to accept large institutions. Opinion polls suggest consumers distrust large organizations and feel that they result in less rather than more competition. Of course, these prejudices run directly [illegible] strategies of many of the [illegible] banks who have taken the [illegible]

[illegible] banks will need to appeal

to consumers. They will have to demonstrate that deregulation will allow banks to compete with other financial service providers and that the net result will be more competition, not less.

The fact is that the socioeconomic pressures do not seem to propel consumers strongly toward either deregulation or toward more government involvement. It would appear, however, that they at least gravitate more towards further deregulation.

Public Policy Concerns

The formation of public policy on banking and finance is complicated by the fact that our elected officials are influenced by so many diverse groups—most notably consumers, industry representatives, special interest groups, and even government regulators. It has been a long uphill battle to get all of these groups focused on deregulation. But this year's legislative agenda is an indication that at last some progress has been made.

I think that consumers and special interest groups are inherently detached until they feel they have a stake in the public policy debate. As they become more aware of and comfortable about the gains they will make in a deregulated marketplace, they will become an increasingly more potent force for further deregulation.

As you would expect, most banks are in favor of further deregulation, but there are some exceptions. And most of the diversified financial service firms and S&Ls are reluctant to give up their competitive advantage over banks unless they get something else in return.

Thus far in the public policy debate, the number one concern that has been raised is fear of concentration of financial power. It may well be a non-issue because there are more than 40,000 financial services providers in the U.S. and I don't think anyone seriously believes that deregulation would result in only a handful of super banks. The public would never accept it.

The data does not bear out a conclusion like that either. Small banks generally know their market much better than their larger cousins and almost always outperform them. In addition, it doesn't take a very large bank to be able to diversify assets and there will be plenty of opportunities for small banks to attain economies of scale through networking and joint ventures.

Another possible problem that has been raised is the issue of tying. Some, particularly representatives of the insurance industry, argue that if banks are given additional powers, they will require borrowers to take

other products as a condition for a loan. With the heightened competition that will result from a deregulated marketplace, it seems very unlikely that a bank would stay in business very long with a strategy like that. There would be simply too many other providers out there from which to choose.

Yet another concern often expressed, is that expanded powers and market areas will make it difficult for the banks to continue to operate within the bounds of safety and soundness. But this concern ignores the fact that deregulation does not mean the abdication of the regulator's examining and enforcement responsibilites.

So it appears there are no really insurmountable public policy concerns standing in the way of further deregulation. The hurdles that are there can be overcome through education, regulatory oversight, or through provisions in the implementing legislation.

Future of Regulation

So what does all this mean for the future of regulation? How will these competitive trends, socioeconomic pressures, and public policy concerns interact?

The first conclusion we can draw is that partial deregulation may be worse than no deregulation at all. Interest rate ceilings were removed with the idea that banks would be provided with new powers at a later date. Banks' primary source of earnings was greatly reduced when interest rate ceilings were removed and as yet they have been given no way to regain those lost earnings. At the same time some securities firms, insurance companies, and commercial businesses offer the same products as banks—yet are not subjected to the same restrictions.

It is difficult to stop the forces of the market once they have gained momentum. Furthermore, it would be a mistake to do so since the public has benefited from the deregulatory actions that have already taken place.

This leads right into my second conclusion: the laws governing the activities that banks can engage in should be changed. After all, we have numerous signs that there is real need for change. In attempting to diversify, financial service providers continue to test the limits of the laws governing their activities. This has led to inconsistent regulatory treatment of institutions marketing like products.

If the legal framework isn't changed, financial service providers will continue to move to the regulator with the fewest restrictions. Right now, some banks are looking into the possibility of converting to thrift charters. Certain states are giving new powers to the banks under their jurisdiction. That makes their charters more attractive. This *"de facto"* deregulation will continue until Congress has taken appropriate action.

Another conclusion we can draw is that it has become increasingly more difficult to distinguish one financial service provider from another. If that is the case, we should supervise on the basis of function rather than on the basis of charter. Like activities should be treated equally and placed under the same regulatory authority. And when supervision of a provider is shared between two or more different regulators, there should be close contact and cooperation between these regulators.

The final conclusion we can draw is that added risk is a necessary by-product of competition that cannot be regulated away. What regulators must do is to ensure that the risk does not become inconsistent with safe and sound banking practices.

To do that will require some fundamental changes. More pubic disclosure of risk is needed. And we can no longer continue to make uninsured depositors whole in government-assisted mergers. Large depositors must bear the risk of potential loss if market discipline is to function effectively. And finally bank supervision should aim to strenghten a bank's capital resources proportionate to the amount of additional risk it takes on.

In Closing

From this review of trends, pressures, concerns, and implications we get a pretty good impression of what needs to be done. The comprehensive solution that we are leading to should include:

- Expanded product powers;
- Removal of geographic barriers;
- Ownership of consumer banks by securities firms and other companies;
- Reorganization of the bank regulatory framework, and
- Changes to the deposit insurance scheme.

These changes would provide banking with the full range of opportunities. They would serve as a framework that would work for today and the future.

Together these actions would strengthen the banking system and our national economy. At the same time bank customers would be receiving better products and services at lower costs. Those results argue strongly for a comprehensive solution this year.

Remarks by Doyle L. Arnold, Senior Deputy Comptroller for Policy and Planning, before the Small Business Legislative Council, Washington, D.C., January 12, 1984

I really welcome this chance to meet with you and to discuss one of the hottest topics in Washington today—new powers for banks.

For those of you who live and work here in Washington, you've probably already learned the wisdom of the old bureaucrat's tale that the only way to prevent rain is to carry an umbrella. Every time you ignore that basic precept and forget your umbrella, you are quickly reminded of the error of your ways. But not even the most superstitious Washingtonian would consciously wear galoshes and a raincoat and carry an umbrella on a junket through the desert. That extra baggage would so weigh you down that you could never survive in the desert. Yet that is what the current body of laws is making banks do.

I think we need to talk about changing those laws. But a lot of people don't—most notably a group I'll call the Galoshes and Raincoat Propagation Society, or GARP as it is sometimes known. It has disseminated a lot of misinformation. In this world according to GARP, with new powers banks will be able to do whatever they want, to whoever they want, whenever they want to, and the little guy will always be the loser. Nothing could be further from true. New powers will not put an end to regulators, bank examinations, or safe and sound banking practices. What they will do is allow banks to take off the galoshes and the raincoat, while keeping the umbrella. Without that extra baggage, both safety and survival will be served.

Most importantly, with new powers banks will be able to compete with other financial service providers. They will be able to provide products and services to you that their competitors can already provide—most notably insurance, securities, and real estate. It is easy to see how this would be beneficial to banks, but I'm sure you're all asking, "What does it do for me?"

The easiest way to find out if it does anything for you is to take this little test. I will ask 10 yes/no questions and you count how many times your reply is "yes."

1. Would you like to see additional sources of [illegible] and [illegible] and equity [illegible]
2. Would you [illegible] interest on the [illegible] with your bank?
3. Would you like to pay lower commissions to the securities underwriter when you go public, or raise new capital?
4. Would you like to pay a lower brokerage fee when you buy your next plant site or lease a new building for your operations?
5. Would you like to lease equipment for your operations at lower cost than you do now?
6. Would you like cheaper insurance rates and more flexible insurance products?
7. Would you like to do business with banks that specialize in serving the needs of small and medium-sized firms?
8. Would you like to see strong local banks that can compete in terms of products and services with the large banks and financial conglomerates?
9. Would you like to see lower interest rates on mortgages?
10. Would you like to see banks that cannot only meet your needs now, but also serve you as you expand?

If you answered "yes" to any one of these questions, you may not know it, but you are in favor of further deregulation of financial services and particularly new product powers for banks. And if you answered yes to more than one, you have a vested interest in helping banks to get these powers.

New Product Powers

Congress is currently considering legislation to allow banks to underwrite and manage mutual funds, to underwrite and deal in mortgage-backed securities, to underwrite and sell insurance, to broker real estate, and to expand their leasing powers. The banks want and desperately need these powers.

Let me describe some of the details on how the small business community stands to gain if the banks get them. First and foremost, the banking industry would change drivers. Instead of being whipped through government regulation, the marketplace will be driven by competition and the free market system. That's what has always worked best in this great country.

When banks can underwrite and manage mutual funds and pay interest on demand deposits, they will

be able to offer much better cash management services. Many of the small firms you represent would discover they could afford these sophisticated temporary investment and account information programs. They would be able to choose from an increasing number of market-rate deposit alternatives, including competitive tax-exempt funds among others.

With expanded securities and insurance powers, banks could provide a lot more long-term capital to small businesses. These powers would make it easier for banks to originate, package, and sell loans or equity participations to large investors.

For example, if banks could underwrite and deal in mortgage-backed securities, they would be able to pool commercial mortgages and sell them to all types of investors. Private mortgage insurance would make this an attractive investment.

Then, too, banks could also package and privately insure small business loans as mutual funds. Some mutual funds already include SBA loans as a major part of their portfolios. Commercial banks have the best expertise for developing a mechanism like this and should be given the powers needed to do it.

In addition, with insurance powers, banks could help to develop credit insurance for commercial loans. Such insurance, like private mortgage insurance, would be an essential part of a flowering secondary market.

So you can see, small business would be a big winner. New powers for banks would mean that you would have access to the same products and services that your large competitors already use.

Small Banks Will Thrive

But what does all this mean to the small bank? Evidence suggests that they can thrive in this new environment. Small banks have one valuable resource that big out-of-area banks cannot readily duplicate. They know their local customers and their needs. They know who is the good credit risk and who is not. That's a big advantage, one that explains why small business customers prefer to deal with them.

There will always be ample room for the small, creative provider of specialized small business and personal banking services to exist side by side with the financial supermarket. It doesn't take restrictive regulations in the form of raincoats and galoshes to keep the good local banks healthy.

But like anyone else, in order to prosper these small banks will have to keep pace with innovation and deliver efficient, quality services with a high level of expertise. They won't be able to do this alone. Like most large banks, they will have to share the costs of product and service development. Many small banks will successfully adapt by undertaking a variety of new partnerships. For instance,

- They will be able to deliver a greater variety of products with systems designed by larger financial service providers.
- They will be able to use franchised products developed by consortia of banks. Even mighty Citibank buys franchised products developed by others; Visa and Mastercard products are the best known examples. They will also participate in networks that provide the electronic technology for banking operations and customer services.
- They will organize bankers' banks in which a group of 20 or more institutions share the costs of developing new expertise and administering correspondent services.
- And they will retain and expand their local markets by sharing expertise and marketing arrangements with local insurance, real estate, and securities professionals. Such partnerships can strengthen all participants, not just the banks. After all, what do small banks fear most? Sears, Merrill Lynch and American Express. What do independent insurance agents fear most? Sears, Merrill Lynch and American Express. The same is true for independent real estate agents. By working together the small bank, the independent insurance agent, and the independent real estate broker can truly compete with these financial giants.

Conclusions

Now that you know the benefits that new product powers for banks will provide to you in the small business community, you're probably wondering where to sign up. Well, it's not that simple. You won't have a chance to participate in the full range of possibilities until Congress has taken action to give banks those powers they need to compete with other providers.

Congress will be holding hearings in the next few weeks on the very powers I have mentioned. You need to be active participants in the debate that is taking place, because most assuredly you and those you represent are not innocent bystanders. You have much to gain, or lose. Chairman of the Senate Banking Committee, Senator Garn, has introduced a bill, the Financial Services Competitive Equity Act, that would

permit most of the things I have discussed this morning. Others have introduced less permissive legislation, and others seek to turn back the clock to make babies wear galoshes and raincoats forever

Your voice will count for a lot— indeed it may be the swing factor. Only when you who will benefit most understand this complex issue, and tell the Congress what will benefit you, will the laws change. The ball is in your court. Make your next serve an ace

Selected Rulings and Correspondence

Adjustable-Rate Mortgage Purchase

October 24, 1983

This is in response to your letter of September 13, 1983, to Francis S. Rath, Attorney, Legal Advisory Services Division, concerning the authority of *** (Bank) to purchase certain adjustable-rate mortgage loans. Your letter has been referred to me for reply.

You state that Bank has an opportunity to purchase adjustable-rate mortgage (ARM) loans originated by savings and loan associations and other housing creditors in compliance with 12 CFR 545, the ARM regulation issued by the Federal Home Loan Bank Board. It is my understanding that none of the originating institutions are affiliated with Bank. You state further that each ARM to be purchased conforms with the requirements of 12 CFR 29, the Comptroller's ARM regulation, except for the disclosure requirements contained in Section 29.7. You ask, specifically, whether the failure to conform to Section 29.7 bars Bank from purchasing the loans.

The general rule for national bank ARM loan transactions is set forth in 12 CFR 29.2:

> National banks and their subsidiaries may make, sell, purchase, participate, or otherwise deal in adjustable-rate mortgage loans only if they conform to the conditions and limitations contained in this Part.

In formulating the rule the Office intended that the language be given literal meaning. Accordingly, national banks are prohibited from involvement with any ARM loan unless it conforms to Part 29.

In your letter you characterize as "substantive requirements" only those sections of the regulation which govern the specific terms of an ARM loan contract, *i.e.*, Section 29.3, Index, Section 29.4, Rate changes, and Section 29.6, Prepayment fees. By way of contrast, you characterize Section 29.7, Disclosure, as non-substantive and, presumably, of lesser consequence in the total scheme of the regulation. Such a distinction is unjustifiable. From the time it was initially conceived, Part 29 has been constructed to reflect the two complementary and equally prominent objectives articulated in the preamble to the original final rule at 46 *Fed. Reg.* 18,932, 18,940 (3/27/81):

> In drafting this provision of the final rule the Office was guided by the belief that the fundamental interests of both borrowers and lenders are best served by permitting lenders to compete freely in designing and pricing ARMs that will efficiently meet borrower demands. However, the marketplace only operates efficiently if both buyers and sellers are well informed about the transaction and fully understand the contractual agreement. A wide variety of mortgage instruments, including ARMs, will present borrowers with complex and unfamiliar borrowing options which will be difficult to evaluate. Lacking adequate disclosure, many borrowers contemplating an ARM will find it difficult to make an informed decision, thus interfering with the efficient functioning of the market to the detriment of individual borrowers.

In issuing the current version of Part 29 the Office reiterated its intent to maintain a careful balance between the freedom of national banks to design their own ARM programs and the concern that the public be fully informed about the nature of this new type of credit instruments.

Far from downgrading the importance of disclosure requirements vis-a-vis other provisions in the regulation, the Office has endeavored to remove all doubt that the required disclosures are integral to the overall regulatory scheme in this area. Again, in the preamble to the original final rule that point was driven home:

> Because the regulation relies primarily on disclosure rather than restriction of ARM terms to provide for borrower protection, the Office will view failure to provide timely and substantively complete and correct disclosures as a serious violation of the regulation. The full range of the Office's available supervisory authority will be used to assure compliance with the disclosure provisions of the final rule.
> (*Id.*)

Similarly, the Office has never indicated, nor intended to indicate, that disclosures required at the time of loan origination are less significant than those required to be made during the course of the loan term. To the contrary, the preamble to the current regulation at 48 *Fed. Reg.* 9,506, 9,511 (3/7/83) contained this explanation:

> Disclosures serve the twofold purpose of educating borrowers about the nature of ARMs and equipping them to shop for the appropriate mortgage instrument.

Because improvement of public understanding is a central theme of Part 29, to permit a national bank to purchase ARM loans made without the disclosure of information essential for intelligent credit shopping would compromise the fundamental integrity of the

regulation. Therefore, the loans described in your letter are ineligible for purchase by ***.

I trust that this is responsive to your inquiry. If you have any questions, please do not hesitate to contact Jonathan L. Levin, Senior Attorney, Legal Advisory Services Division, at (202) 447-1880.

Jerome Edelstein
Attorney
Legal Advisory Services Division

Charter Denial

November 30, 1983

I regret to inform you that the application to charter a new national bank in *** has been disapproved. The decision was based on a thorough evaluation of the information provided in the application, the information obtained during a field investigation by an experienced national bank examiner, and data available to this Office as part of our supervisory activities.

The decision to grant or deny a new national bank charter is not based on a single factor, but on a matrix unique to each application. In your application, deficiencies in the operating plan were the primary reason for denying the application.

In our evaluation of the operating plan, we appraise the proposed bank's earning prospects, ability of the proposed board to direct the bank's affairs, adequacy of capital, and reasonableness and appropriateness of anticipated community service.

The operating plan described the proposed bank's service area as *** and ***, together with the surrounding unincorporated areas. Our experience has shown that a new national bank is not necessarily in a position to attract business from an area as large as that described in the application. There was not information provided to support the service area delineation.

Further, the application did not specifically address the manner in which residents of the proposed service area, but living outside ***, would be attracted to the bank. These factors are especially important in this case because the service area is surrounded by numerous communities which exert a substantial pull due to their retail facilities and banking institutions and the fact that they serve as commercial centers as a result of their larger industrial and employment base.

In addition, some portions of the service area do not have easy access to the proposed bank site, and are located closer to other established financial institutions.

The discussion on competition within the market area, and on the services that will be provided to meet competition and meet the demands of the market, were also incomplete. The application did not address the degree of competition within the market, the types of services offered to residents and businesses in the market, or what services prospective customers believe to be important in choosing a bank with which to do their business. The discussion on competition was limited to acknowledging there was a state-chartered institution in the service area without providing any information on the institution. The application failed to note that there is a branch of a savings and loan association located in the service area.

Deficiences were also noted in some of the financial projections. The loan to deposit ratio appears unrealistic in light of the loan to deposit ratio of other *** County banks. The projected deposit mix with 40 percent in demand accounts appears suspect in an era of deposit interest rate deregulation and in light of the deposit mix of other area banks. It is not necessary for projections to mirror the experience of other banks in the area, however, the asset/liability mix of the area banks may be reflective of the banking needs of the market. The organizers did not provide documentation to support their projections.

While each of these factors considered separately may not be sufficient reason to deny a charter, it is a weakness in the overall group. These weaknesses can be overcome by a cohesive group which demonstrates extensive banking experience and the capacity to commit sufficient resources to a new bank. In our opinion, the application does not fully reflect this in the organizers as a whole.

Doyle L. Arnold
Senior Deputy Comptroller
for Policy and Planning

Charter Denial

November 30, 1983

I regret to inform you that the application to charter a new national bank in *** has been disapproved. The decision was made after an extensive and thorough evaluation of information provided in the application, the information obtained during the field investigation conducted by an experienced national bank examiner, and data available to the Office of the Comptroller

of the Currency (OCC) as part of its regulatory and supervisory activities.

The decision to grant a new national bank charter is not based on any single factor, but on a combination of factors unique to each application. In the evaluation of these factors consideration is given to the ability of the organizing group to present acceptable procedures for establishing and operating a bank ("operating plan") that will have a reasonable likelihood of success and will be operated in a safe and sound manner.

In our evaluation of operating plans, appraisals of the proposed bank's earnings prospects, ability of the proposed board to direct the bank's affairs, adequacy of capital, reasonableness and appropriateness of the financial projections, and the safety and soundness of intended operations are made. Experience has demonstrated that the operating plan and the organizing group must be stronger where competition is intense or prospects for growth are not well defined or are marginal.

The operating plan indicates a return on assets exceeding 1 percent for each of the bank's first 3 years of operation. The influx of "quick" deposits from friends and acquaintances of the proposed President is a contributing factor to the bank's intended fast start. Future deposits are to be obtained from the agriculture sector, new businesses to the *** area, and from the troubled credit unions and savings and loans.

The plan does not expand on how these deposits and additional deposits will be obtained and retained, *i.e.* there is no marketing plan. No details were provided as to how growth figures were established. Deposit growth figures provided in the application were unclear and did not indicate the relationship to this particular market.

Comments addressing the loan portfolio indicate a desired 60 percent to 65 percent loan to asset ratio, though there are no salient comments addressing how or when this will be attained. Also, the loan portfolio is to be equally mixed between commercial, consumer, and real estate loans, but there are no comments to address how these levels will be reached. Discussion of loan pricing, maturity, and demand are not presented. The plan indicates that the bank will be more attuned to agriculture lending, however, no specific information was provided.

The plan mentioned that the investment portfolio will stress liquidity. It goes on to say that investment and loan policies will be similar to those used at *** Bank, prior to February 28, 1983. This provides no meaningful insight as *** was not regulated or examined by this Office. Information relative to *** indicates that during recent years the bank had begun experiencing various problems including a poor funds management position. The operating plan for this application does not discuss funds management nor does it address deregulation or its effect on the bank.

The deficiencies of the operating plan reflect negatively on the ability of the organizers to direct the affairs of a new national bank. By not sufficiently explaining how the proposed bank would go about attracting the volume of business projected and by failing to specifically address funds management policies, the application did not demonstrate that, within the competitive and economic conditions existing in the service area, the proposed bank would have a reasonable likelihood of success.

Doyle L. Arnold
Senior Deputy Comptroller
for Policy and Planning

Federal Branches and Agencies

December 1, 1983

This is in response to your letter of October 26, 1983, concerning Bill No. 1047, enacted into law on September 26, 1983, as amendments to Sections 3 and 17 of the Illinois Foreign Banking Office Act.

Essentially, the amendments purport to impose an annual "license fee" of $50,000 on any foreign bank licensed by "any banking supervisory authority of a jurisdiction other than the [Illinois Banking] Commissioner" if said foreign bank comes from a country which does not provide reciprocal authority to Illinois state or national banks. In other words, the new law is designed to impose a stiff penalty on federal branches of foreign banks chartered by the Comptroller of the Currency whenever such foreign banks are headquartered in a country which does not offer reciprocal banking opportunites to American banks.

It is our opinion that a federal branch of a foreign bank in Illinois need not pay the fee. The statute is a transparent attempt to reverse the decision in *Conference of State Bank Supervisors et al. v. Conover*, No. 81-2256 (D.C. Cir. Aug. 9, 1983), a case in which the state of Illinois was one of the plaintiffs. The court specifically held that in states which permit foreign bank branches or agencies, the Comptroller can charter federal branches or agencies, as the case may be, without regard to a state law reciprocity requirement or other entry criteria found in state law. *See generally*

pages 20–27 and 37–41 of the decision. At page 6 the court referred to the plaintiff-appellants' argument that the Comptroller had approved applications of two Australian banks (one of which was Australia and New Zealand Banking Group Limited's Chicago branch) "in contravention of Illinois law."

Having lost in court, Illinois now seeks to apply reciprocity indirectly by charging federally chartered foreign bank branches such as your own $50,000 per year, an onerous and perhaps even prohibitive cost of doing business in Chicago. The amount of the fee and the fact that the Illinois Banking Commissioner does not license federal offices (such offices are licensed exclusively by the Comptroller acting pursuant to federal chartering criteria) or have responsibility for the examination or supervision of such offices essentially mean that the fee is a penalty and not a true license provision. As such, it is prohibited on grounds of due process and equal protection of the laws. No legitimate state regulatory purpose is served by the fee.

Even if one characterizes the state fee as a license fee, it cannot be applied to federally chartered branches of foreign banks. A license is in the nature of a special privilege, entitling the licensee to do something that he would not be entitled to do without the license. Legislation purporting to impose license restrictions or charges against instrumentalities of the federal government has frequently been declared "void." 51 Am Jur 2d Licenses and Permits §§1 and 11 (1970). It has been specifically held that "neither states nor subdivisions thereof have the power to levy license fees on national banks." *Bank of America National Trust & Savings Ass'n. v. Lima*, 103 F. Supp. 916, 918 (D. Mass. 1952) and cases cited therein. Except as otherwise specifically provided in the International Banking Act or rules of the Comptroller, Section 4(b) of the IBA mandates that the "operations of a foreign bank at a Federal branch or agency shall be conducted with the same rights and privileges as a national bank at the same location and shall be subject to all the same duties, restrictions, penalties, liabilities, conditions, and limitations that would apply under the National Bank Act to a national bank doing business at the same location . . . ." 12 USC 3102(b). Since a state cannot impose a license fee on a national bank, it cannot impose one on a federal branch or agency of a foreign bank. Such offices are treated as national banks except as otherwise provided by federal law or regulation.

[illegible] to deny entry to all foreign banks. However, in *Conference of State Bank Supervisors et al.* [illegible] where a state decides to permit entry by foreign banks from some countries, the Comptroller has authority under the federal statutes to charter offices of foreign banks from any country without regard to reciprocity or other state entry criteria. *See* pages 20–27 and 37–41 of the decision, construing Sections 4(a) and 5(a) of the IBA, 12 USC 3102(a) and 3103(a) respectively.

I trust that this reply is responsive to your inquiry.

Brian W. Smith
Chief Counsel

Definition of State Bank, 12 USC 215

December 8, 1983

This is in response to your letter of August 1, 1983. According to that letter, *** Savings & Loan Association (S&L), a savings and loan association organized under the law of Virginia, proposes to merge into *** (Bank) under 12 USC 215a. You have requested an opinion on whether S&L is a "state bank" for purposes of Section 215a. For the reasons below, I conclude that S&L is a "state bank."

The phrase "state bank" is defined for purposes of Section 215a as follows:

> any bank, banking association, trust company, savings bank (other than a mutual savings bank), or other banking institution which is engaged in the business of receiving deposits and which is incorporated under the laws of any State . . . .
> (12 USC 215b.)

Clearly, S&L is "incorporated under the laws of [a] State." Similarly, it is engaged in the business of receiving deposits." You have advised that S&L offers NOW accounts and has exercised its discretion under Section 6.1-195.32, Code of Virginia, to accept "savings deposits" rather than "savings share accounts."

Thus, the only remaining issue is whether an S&L like *** would fall within the category of "other banking institutions . . . ." The language of the statute establishes that Congress did not intend to exclude all thrift institutions from the definition of "state bank" because it expressly includes such thrifts as savings banks. Moreover, in other contexts, S&Ls have been held to be "banking institutions." For example, the Supreme Court, in *dicta*, has described the operation of a federal savings and loan association as the operation of a "public banking business." *Fahey v Mallone*, 332 U.S. 245, 256 (1947). In determining whether a particular entity is a "banking institution," there is considerable case authority for the proposition that function

and activity are far more significant than the label affixed to a particular charter. *See e.g., Oulton* v. *German Savings Society,* 84 U.S. 109, 118–119 (1812); *First American Bank & Trust Co.* v. *George,* 540 F.2d 343 (8th Cir. 1979), *app. dismissed,* 429 U.S. 1011 (1976) and *LaValley* v. *Pere Marquette Employee's Credit Union,* 342 Mich. 639, 70 N.W. 2d 798 (1955). Particularly in light of the recent expansion of their powers, S&Ls are in most significant respects the functional equivalent to banks. *Cf. Maclaren* v. *State,* 124 N.W. 667 (Wis. 1910); *United States* v. *Papworth,* 156 F. Supp. 842 (N.D. Tex 1957); *Rosenblum* v. *Anglim,* (135 F. 2d 512 99th Cir. 1943); and *First Federal and Loan Association* v. *Zeugiera,* 305 F. Supp. 37 (D.P.R. 1969). This Office has previously found an S&L to be a "state bank" and, thus, eligible for conversion to a national bank charter under 12 USC 35. Similarly, OCC has found that S&Ls are in the same line of commerce as commercial banks for purposes of antitrust analysis. *See, e.g., Decision on Application to Merge Commercial National Bank of Little Rock into the First National Bank in Little Rock* (May 27, 1983).

Accordingly, an S&L should be found to fall within the phrase "other banking institution" under 12 USC 215b. Further, a review of the legislative history of that statute establishes that the proposed transaction, the acquisition of an S&L by a national bank, would not offend the legislative purpose behind the definition of "state bank." That purpose was to assure that national banks changing by conversion or merger into another type of financial institution could only do so if the new type of institution was eligible for FDIC insurance. *See,* Sen. Rep. No. 1104 (81st Cong., 1st Sess.). Since the subject proposal will not transform Bank into a different type of institution, it is not contrary to that congressional intent.

Peter Liebesman
Assistant Director
Legal Advisory Services Division

Cooperative Examination Program

Comptroller of the Currency
Federal Deposit Insurance Corporation

Joint News Release

December 13, 1983

The Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) today announced a cooperative examination program for national banks. The program will be effective January 1, 1984, and will supplement existing programs under which the two agencies share information derived from bank examinations.

As the primary supervisor of national banks, the OCC is responsible for ensuring the safety and soundness of the national banking system. The Office charters, regulates, and examines national banks; supervises and enforces their compliance with laws and regulations, and declares banks insolvent.

The FDIC is responsible for insuring the deposits of virtually all state-chartered and all national banks, and acts as receiver for all failed banks.

"Inviting the FDIC to join us in examining banks in which they have a special interest should serve to strengthen the overall supervisory process," Comptroller C. T. Conover said. "This program provides for a better, more coordinated way to supervise troubled banks."

"The FDIC is very pleased to enter into this cooperative effort with the OCC," said FDIC Chairman William Isaac. 'It will help us be more effective in carrying out our responsibilites as deposit insurer of the nation's banks. The program builds upon numerous initiatives undertaken during the past couple of years to better coordinate the activities of the two agencies."

Under the program announced today, the OCC will invite the FDIC to participate in the examination of 4- and 5-rated national banks and in selected examinations of other community banks. The sampling will be jointly determined by the OCC and FDIC at the beginning of each year. FDIC will receive scheduling information at least 2 months in advance.

FDIC and OCC examiners-in-charge (EICs) will work together and participate in management discussions, exit reviews, and board meetings. The OCC will prepare the report of examination to be submitted to the bank, and the FDIC will generate a report for its internal use. The FDIC will also be invited to attend meetings in which OCC supervisory actions for national banks are determined

Additionally, the FDIC will be invited to assist OCC in a representative sample of examinations of multinational and regional banks, and in a similar sample of OCC overseas examinations

The FDIC has agreed to consult with appropriate state bank supervisors to arrange for OCC examiners to participate in examinations of state nonmember banks

that have significant financial relations with a national bank.

Conover and Isaac said that this program will meet both agencies' needs for a high level of coordination, communication, and cooperation in carrying out their complementary responsibilities.

Operating Subsidiary

December 21, 1983

George P. Whitley, Esq.
Mays, Valentine, Davenport & Moore
Post Office Box 1122
Richmond, Virginia 23208

Dear Mr. Whitley:

This concerns the application of First and Merchants National Bank, Richmond, VA (F&M) to acquire Security Atlantic Life Insurance Company (SALIC) as an operating subsidiary. SALIC is an Arizona corporation which is currently wholly owned by First & Merchants Corporation, the parent holding company of F&M. SALIC is in the business of underwriting, as a reinsurer, credit life and credit accident and health insurance (credit life insurance) in connection with extensions of credit by F&M and its subsidiaries, and is subject to the regulatory authority of the Arizona Insurance Department.

In 1973, the Board of Governors of the Federal Reserve System approved the application of First & Merchants Corporation to acquire all of the voting shares of SALIC to engage, *de novo*, in reinsuring credit life insurance sold in Virginia, North Carolina, Maryland, Georgia and Ohio. At the present time, SALIC reinsures policies sold only in Virginia.

As you recognized in the application, this Office has not, up to this time, permitted national banks to engage in credit life insurance underwriting or reinsurance through an operating subsidiary. In a June 8, 1979, letter reprinted at [1978–79 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,174, Assistant Chief Counsel Ford Barrett set out three concerns that would have to be addressed before the OCC would approve a national bank's investment in a credit life insurance underwriting or reinsurance subsidiary. First was the question of whether the activity is incidental to the business of banking within the meaning of 12 USC 24(Seventh). Second was the extent to which the Comptroller would be required to share supervisory authority over the operating subsidiary with state insurance officials by virtue of the McCarran-Ferguson Act, 15 USC 1010, which generally gives the states authority to regulate the insurance business within their borders. Finally, the Office had some concern about its lack of experience in supervising life insurance companies. Each of these concerns will be addressed in relation to F&M's application.

Initially, it should be noted that the sale of credit life insurance by a national bank, whether acting as agent or as the holder of a group policy, is clearly incidental to the business of banking under 12 USC 24(Seventh). Banks have traditionally offered credit life insurance to borrowers in order to provide protection for loans. A federal court of appeals, in upholding a national bank's ability to engage in this activity, stated that "credit life insurance is now commonplace and essential where ordinary loans on personal security are involved." *IBAA* v. *Heimann*, 613 F. 2d 1164, 1170 (D.C. Cir. 1979), *cert. denied*, 449 U.S. 823 (1980). Moreover, OCC regulations expressly permit a national bank to offer credit life insurance to its loan customers. 12 CFR 2.6.

As explained below, the underwriting or reinsurance of credit life is a logical complement to a national bank's power to sell credit life. This activity is incidental to banking under even the more restrictive interpretations of 12 USC 24(Seventh) since it is "convenient or useful in connection with the performance of one of the bank's express powers under the National Bank Act," specifically the express power to lend money. *M & M Leasing Corp.* v. *Seattle First Nat'l Bank*, 563 F.2d 1377, 1382 (9th Cir. 1977).

Underwriting credit life insurance is not a new activity for national banks. Since 1964, this Office has authorized national banks to provide for losses arising from the cancellation of outstanding loans upon the deaths of borrowers by entering into debt cancellation contracts. 12 CFR 7.7495. This practice involves the imposition of an additional charge by the bank and the establishment of reserves to cover such cancellations. It is the equivalent of underwriting credit life insurance. Letter from Ford Barrett, Assistant Chief Counsel (May 14, 1979) *reprinted in* [1978–79 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,171. Moreover, one national bank, Mercantile Trust Co., N.A., of St. Louis has, since its conversion from state to national status in the 1960's, maintained a subsidiary that underwrites credit life insurance. Additionally, the Federal Reserve Board has found the underwriting of credit life insurance to be "so closely related to banking . . . as to be a proper incident thereto," and has therefore permitted bank holding companies to engage in this activity. 12 CFR 225.4(a) (10). Congress recently affirmed the Board's policy in its amendment of Section 4(c) (8) of

the Bank Holding Company Act (12 USC 1843(c) (8)) *See* Garn-St Germain Depository Institutions Act of 1982, Pub. L. No. 97-320, Title VI, Section 601 (October 15, 1982).

In light of the above, it is my conclusion that the underwriting or reinsurance of credit life is an incidental power granted national banks by 12 USC 24(Seventh). Since a national bank can generally perform any of its allowable activities in an operating subsidiary, the establishment or acquisition of an operating subsidiary to underwrite or reinsure policies sold by the bank is permissible.

The second matter that must be addressed is that of conflicting regulatory jurisdiction. The McCarran-Ferguson Act, 15 USC 1012(a), gives the states the authority to regulate "the business of insurance" within their borders, and the Office has expressed concern that some aspects of the states' regulation may conflict with 12 USC 484, which provides that no national bank shall be subject to any visitorial powers except as authorized by federal law, vested in the courts or exercised by Congress. Under this statute, the exercise of visitorial powers over national banks is vested in the Comptroller and, with very limited exceptions, state officials have no authority to engage in visitations of national banks. *See* 12 CFR 7.6025(b), as amended, 48 *Fed. Reg.* 3936 (Jan. 28, 1983). A visitation has been defined by the courts to include, at the very least, any examination of a national bank's books and records. *See National State Bank* v. *Long*, 730 F.2d 981, 988-89 (3d Cir. 1980).

Unlike a national bank, however, an operating subsidiary is a creature of state corporate laws. It is not in the strict sense a federal instrumentality. Therefore, the Comptroller's Office does not derogate Section 484 by according other authorities the right to examine a national bank's subsidiary if the Office determines that such examinations would be helpful in regulating the activities of the subsidiary. Currently, some discount brokerage subsidiaries are potentially subject to examination not only by state securities commissioners in every state in which they are registered but also by the NASD and exchanges of which they are members. Given the states' expertise in regulating insurance underwriting, it appears appropriate for the Office to permit examination by state authorities (in this case the Arizona Insurance Department) where a national bank is engaging in credit life underwriting or reinsurance activities through a subsidiary. Of course, the OCC still maintains full authority to examine, supervise and regulate F&M's subsidiary, 12 CFR 5.34(d) (3), as amended, 48 *Fed. Reg* 48452 (October 19, 1983), and no state insurance official may examine the bank itself.

The final concern in regard to credit life underwriting or reinsurance is the OCC's lack of supervisory experience with life insurance companies. I believe the OCC, working with state insurance authorities, is fully capable of developing the expertise necessary to perform the required supervision of national bank operating subsidiaries engaged in credit life underwriting and reinsurance. The Federal Reserve Board's experience in supervising the activities of bank holding companies in this field serves as a fine example of how the necessary expertise can be acquired and should also be of assistance to this Office in obtaining the necessary knowledge. Further, I believe it would be bad public policy for the OCC to prevent national banks from performing an otherwise permissible activity because the Office does not have a wealth of direct supervisory experience with that activity.

In your letters of July 12 and November 3, 1983, you confirmed that SALIC, upon being approved as an operating subsidiary of F&M, will continue to comply with the Federal Reserve Board's public benefits test applicable to bank holding companies engaged in underwriting or reinsuring credit life insurance. *See* 12 CFR 225.4(a) (10) n.10a; 12 CFR 225.135. You also confirmed that SALIC's books and records will be made available to the OCC for periodic review and examination.

In light of the above, F&M's application to acquire SALIC as an operating subsidiary is approved.

Doyle L. Arnold
Senior Deputy Comptroller
for Policy and Planning

Of Note:

November 7, 1983—The OCC approved the application submitted by Leucadia, Inc., to convert its industrial loan subsidiary to a national bank to be known as American Investment Bank, National Association, Salt Lake City, Utah.

November 22, 1983—The OCC approved an application to charter Templeton Management and Trust Company, National Association, Fort Lauderdale, Fla. The trust company will assume the investment management activities of Templeton Investment Counsel, Inc.

December 7, 1983—The OCC approved an application to charter the first federally chartered bankers' bank to be known as Louisiana Independent Bank, National Association, Baton Rouge, La.

Interpretive Letters—October 15 to December 15, 1983

271—September 21, 1983

This is in response to your inquiry concerning the permissibility of the placement of equity interests in real estate by *** (Bank) and its wholly-owned operating subsidiary, *** (Sub).

On November 30, 1976, Bank received the approval of this Office to engage in the activities of construction lending and the origination, servicing, and brokerage of loans on income producing properties through Sub. As a substitute for traditional long-term fixed rate mortgage financing, Bank and Sub now propose to arrange for the placement of equity interests in commercial or investment real estate, principally on behalf of owner/developers. In effect, the bank and sub will act as middlemen bringing together a developer and an institutional investor for the purpose of financing the development of the property. The investor may buy the property outright, enter into a co-ownership arrangement, or enter into an agreement giving the investor some of the benefits of ownership without an absolute conveyance.

These placements will be arranged in transactions in which there is no extension of credit by Bank or Sub, as well as in transactions in which Bank or Sub is a participant in a loan.

Based on several conversations between you and your associates and Messrs. Barrett and Taylor of this Office's Law Department, it is my understanding that neither Sub nor an affiliate intends to acquire an equity interest in any project which the private placement finances, nor does either expect to have a role in the development, management or syndication of the project. Moreover, Sub's fee will not be based on the profits earned from the project. Sub does not intend to become a general real estate broker, nor will it list or advertise properties for sale (although Sub can be expected to advertise its services as an arranger of equity financing generally). Sub will be dealing solely with sophisticated institutional investors so as to preserve the private placement exemption under the SEC's Regulation D. Finally, in those situations where Bank or Sub is a participant in a loan to an investor, it will never take an equity interest itself. Rather, any lending by Bank or Sub will be limited solely to traditional debt financing.

Given the above facts and understandings, my analysis of the proposed activity is as follows. Pursuant to 12 USC 371, national banks are empowered to make, arrange, purchase, or sell loans or extensions of credit secured by liens on interests in real estate. With the prior approval of this Office as required by 12 CFR 7.7376, an operating subsidiary of a national bank may engage in activities in which the parent bank may engage. Since Sub has obtained approval to engage in real estate financing activities, it may engage in such activities to the same extent as its national bank parent.

Providing loans for real estate development and long term mortgage financing is, of course, a traditional banking activity. National banks have also arranged or brokered loans from third parties to finance real estate transactions. However, long term debt financing, whether provided by the bank or by others, has become increasingly less attractive in the commercial mortgage market because of volatile interest rates and inflation. Equity investment in real estate is now regarded as an effective hedge against such adverse economic conditions. Arranging equity placements serves as a more desirable substitute in the current economic climate for the already permissible activity of arranging permanent mortgage loans.

In addition to the express real estate lending authority in 12 USC 371, national banks are empowered by 12 USC 24 (Seventh) to exercise "such incidental powers as shall be necessary to carry on the business of banking." This "incidental powers" clause permits national banks to offer new products and services as a means of adapting to changes in the financial marketplace and the evolving, non-static nature of the business of banking. *M&M Leasing Corp.* v. *Seattle First National Bank*, 563 F.2d 1377, 1382 (9th Cir. 1977). In our view, arranging the placement of equity interests in real estate to finance a development project is squarely within this authority, even in those instances when the bank or an affiliate provides or participates in a loan to one of the participants. Our view is also consistent with previous approvals by this Office and the Federal Reserve Board of the private placement activities of commercial banks. *See* CCH Fed. Banking L. Rep. [1978–79 Transfer Binder] ¶85,107 (letter of Comptroller of the Currency John G. Heimann concurring with Federal Reserve staff views that arranging private placements does not constitute an underwriting or sale of securities proscribed by Glass-Steagall).

In several orders since 1982, the Federal Reserve Board has conditionally approved for bank holding companies the arrangement of equity financing as an activity closely related to banking under Section 4(c)(8) of the Bank Holding Company Act, 12 USC 1843(c)(8). In one order involving Bank America Corporation, 68 *Fed. Res. Bull.* 647, the Board made the following findings.

> The evidence of record shows that in performing the equity financing activity for commercial or industrial income producing real estate

BAMIRCO [the holding company's subsidiary] needs and will utilize the type of expertise and analysis developed by financial institutions in evaluating and arranging mortgage financing for such property. For example, Applicant states that BAMIRCO would consult with the developer/owner to determine the nature, objectives and financing requirements of a project; would consider the project's concept, architectural design, building layout, suitability for purpose and prospects; would analyze traffic flow, competing projects, source of customers, the nature of the market; would calculate projected rentals and income flows; and would review the developer/owner's timetable for the project and availability of construction financing and long term financing for the property. Based upon its review, BAMIRCO would prepare a written analysis of the project and, in view of this analysis and its knowledge of the current real estate financing market, BAMIRCO would formulate financing alternatives, which might include equity financing. According to Applicant, in presenting a project to an investor this analysis is the same, whether the ultimate financing is in the form of a mortgage or equity financing.

The Board finds that the particular expertise and analysis required to provide equity financing for large commercial or industrial income-producing properties is functionally and operationally similar to the analysis and expertise that is required when a bank provides traditional mortgage financing services for such properties. Banking organizations have historically provided financing for commercial and industrial properties and thus are particularly well equipped to provide the proposed service. In the Board's judgment, the functional and operational similarity between mortgage banking and equity financing is further supported by the fact that equity financing can be viewed as an economic substitute for long-term mortgage financing. Evidence in the record shows that investors have increasingly turned to equity participations in projects as a means of increasing their yields and to protect themselves against inflation and interest rate fluctuations.

Moreover, it is the Board's view that equity financing as proposed by Applicant and as conditioned in this Order bears a functional relationship to investment advisory services traditionally and lawfully performed by commercial banks with respect to commercial and industrial real estate.
[illegible] Board orders dated August 15, 1983 [illegible] Banking Corp.) and [illegible] New York Corp.)).

The proposal you have presented to us is generally consistent with commitments made to or restrictions placed by the Federal Reserve Board in its orders on this subject, with one exception. The exception relates to whether an affiliate may make loans, or participate in loans, to investors in connection with an equity financing arranged by Sub. While there is a possibility of conflict of interest in that the banking organization will be providing services to both the owner/developer and the investor, we think the sophistication of the parties involved will minimize the chances of misunderstandings. Additionally, for the sake of avoiding disputes and possible civil liability, Sub and its affiliates would appear to have sufficient incentive to make clear to all concerned each party's role in the transaction. For these reasons, we will not condition our approval on an affiliate's refraining from making a loan or taking a participation in a loan to an investor. However, we will require that any lending by an affiliate to the investor be disclosed to the owner/developer. Additionally, we will require the bank or Sub to consult counsel before disclosing to the lending affiliate any sensitive information of which the bank or Sub has become aware in its capacity as agent for the owner/developer. Depending on the circumstances, it may be appropriate to establish a "Chinese wall" to minimize the conflict of interest that may occur when the banking organization is "on both sides" of a transaction. During the regular examination process, our examiners will monitor the bank's handling of specific transactions.

In accordance with the above, and given the facts and understandings described previously in this letter, it is my opinion that the Bank and Sub may engage in the proposed placement of equity interests in commercial and investment real estate.

Brian W. Smith
Chief Counsel

* * *

272—August 4, 1983

This is in response to letters from ***, former Executive Vice President, dated December 11 and 29, 1980, and May 5, 1981 to the Legal Advisory Services Division, concerning *** (Bank's) ongoing program under which it sells to retail customers participations in acceptances created by Bank. In those letters, you requested that this Office find that these participations are neither "deposits" for the purposes of Regulations D and Q (12 CFR 204 and 217), nor borrowings subject to the limits of 12 USC 82.

Bank's Program

Bank has for many years provided financing for import and export trade and for the shipment and storage of domestic commodities by accepting and discounting time drafts drawn upon it by its customers, thereby acquiring bankers' acceptances which are eligible for discount at Federal Reserve Banks. In order to conveniently sell these "eligible" bankers' acceptances in face amounts under $100,000, Bank groups these acceptances according to maturity and offers them for sale to investors. Single acceptances may be sold to an individual investor, but, more frequently, portions of a single identifiable acceptance are sold in minimum denominations of $25,000 ("participations").

Additionally, in order to meet the $25,000 minimum or to accommodate investors who have more than $25,000 to invest, several smaller denomination acceptances are sometimes aggregated for sale. Purchasers receive confirmation of sale which specifically identifies by number and maturity the acceptance(s), or portion(s) thereof, purchased. These participations expressly state that they are "non-negotiable." All bankers' acceptances under $100,000 which Bank sells are routinely held in safekeeping for the account of the investor. Bank charges the investor a fee for each transaction under $40,000. Bank does not engage in any advertising in connection with the sale of bankers' acceptances or participations.

12 USC 82

The borrowing limits of 12 USC 82 have been repealed. *See* Pub. L. No. 97-320, Section 402 (Oct. 15, 1982). I therefore offer no conclusions regarding the applicability of 12 USC 82 to any aspect of Bank's program.

Regulations D and Q

In 1980, the Comptroller's Law Department determined that Reg D and Reg Q applied to a plan by which an accepting bank sold "portions of its interest as holder" of its eligible acceptances to retail customers, in minimum denominations of $1,000. *See* Letter of J. M. Miller, Deputy Chief Counsel, to D. J. Yellon, General Counsel, The First National Bank of Chicago (May 13, 1980), *reprinted in* [1981–1982] Fed. Banking L. Rep (CCH) ¶ 85,227. The Board of Governors of the Federal Reserve System subsequently reached the same conclusion. *See* Letter of G. L. Garwood, Deputy Secretary, to D. J. Yellon (June 18, 1980), *reprinted in* [1980–1981] Fed. Banking L. Rep. (CCH) ¶ 98,316. In that letter, Mr. Garwood stated that in order to qualify for an exception to Reg D, 12 CFR 204 1(f)(5) (1980) (now codified at 12 CFR 204 2(a)(1)(vii)(E) (1983)), a member bank is required to sell the actual acceptance. In the Board's view, the sale of a bank's interest in an acceptance it holds would not qualify for the exception, particularly since the customer does not obtain rights in the acceptance referred to in the agreement.

Additionally, the Board regarded the bank's agreement—obligating it to repay a purchaser a sum certain at the maturity of the acceptance referred to in the agreement—as precisely the type of obligation contemplated by the term "promissory note or acknowledgment of advance" used in Reg D and Reg Q, 12 CFR 204.1(f) and 217.1(f) (1980).

In my opinion, the reasoning set forth in the Board's 1980 opinion compels me to find that a sale of a fraction of Bank's interest in an eligible acceptance created by Bank itself must be regarded as a "deposit," <u>unless</u> Bank can establish that the parties intended to and have taken appropriate measures to adopt a legally effective means of transferring to the participant pro rata ownership rights in an acceptance which Bank owns. That is, it must be evident that the participation interest conveys both the right to demand payment, either personally or through an agent, from Bank as primary and unconditional obligor on the accepted time draft, <u>and</u> the right to hold liable similarly the drawer of the draft for the pro rata amount of the participation in the event that Bank fails to pay for any reason.[1] Bank, as seller of a fractional interest, would thus incur no obligation to reimburse the participant independent of Bank's obligation as accepting bank to pay the holder(s) of an acceptance at maturity. Of course, as transferor the Bank would be held accountable for the warranties of transfer. *See* UCC Section 3-417.

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[1] As reflected in ***'s letter of December 11 1980 Bank believes that in selling undivided interests in acceptances that the bank itself has created and purchased, no obligation of Bank is created beyond its pre-existing obligation on the underlying acceptance and the participant retains full recourse against the drawer of the accepted draft in the event Bank defaults on its acceptor's liability. Our review of Bank's documentation reveals that at maturity and upon presentment of a whole acceptance Bank (as agent for participants) would normally collect from itself (as accepting bank) and distribute the proceeds among participants In the event of a default by Bank as accepting bank the drawer of the accepted draft would remain liable to the "holder" of the acceptance *See* UCC Section 3-413(2) It is not clear that each participant would qualify as a "holder" because the UCC treats the transfer of less than a whole acceptance as a partial assignment rather than negotiation *See* UCC Section 3 202(3) Nevertheless the custodial agreement between Bank and each participant could give each participant an undivided interest in one or more whole acceptances and recourse against the drawer(s) Bank (or its successor in interest) could be obligated to act as agent for participants in collecting from the drawer, giving participants rights of recourse equivalent to those of a holder These arrangements should be adequately spelled out in the documentation

In order to satisfy the above requirement, Bank should take steps to ensure that the participation agreements would constitute valid partial transfers under applicable state law. In my opinion, prudence dictates that there be written documentation evidencing Bank's sale and stating that (1) it is the intent of both Bank and the participant to effect an immediate transfer of Bank's rights in a pro rata portion of the particular acceptance; (2) Bank will maintain rights of possession in the acceptance, collect funds due thereon, and pay over such funds to the participant solely as agent for the participant in regard to that acceptance; and (3) such transfer does not create any independent obligation by Bank to repurchase the acceptance prior to or at maturity. <u>In any event, Bank should obtain counsel's review of such procedures and a legal opinion as to whether such procedures, under applicable state law, will effectively transfer to purchasers, pro rata, the legal rights possessed by Bank in the acceptances.</u> That legal opinion should address, *inter alia*, any requirements for notice to and acknowledgment by custodians, Bank (as accepting bank), or drawers under the law applicable to the transfers. Counsel's opinion should state what additional procedures or agreements, if any, are necessary to effectuate the transfers and these procedures or agreements should be incorporated by Bank into its program. The legal opinion should be submitted promptly to this Office, for my attention, so that this office may be apprised of the state law under which Bank operates its program.

If Bank follows the above procedures and satisfies the above criteria, it is my opinion that the reserve requirements of Reg D and the interest rate limitations of Reg Q would be inapplicable. These requirements and limitations may apply at times to accepting banks which issue acceptances as a means of obtaining funds. For example, a bank which creates, purchases, and resells an acceptance not eligible for discounting by Federal Reserve Banks is subject to reserve requirements on the face value of the acceptance. It is my opinion, however, that valid, non-recourse sales by an accepting bank of fractional interests in acceptances which the bank created and which are eligible for discounting by Federal Reserve Banks should not be subject to reserve requirements or interest rate limitations. *See* 12 CFR 204.1(a)(1)(vii)(E) and 217.137(d). Only when the accepting bank, in selling a fractional interest in such an acceptance, in fact creates an <u>independent</u> obligation to pay the purchaser prior to or at maturity should Reg D and Reg Q apply. See Letter of J. M. Meyer, *supra*. For legal and accounting purposes, such transfers should be treated like any other sale of acceptances which the bank creates. Of course, Bank may seek an authoritative opinion from the Federal Reserve on the applicability of Reg D and Reg Q to the Program. The Comptroller's Office would regard such an opinion as definitive for purposes of determining compliance with those regulations.

Glass-Steagall Act

There is no dispute that a national bank's sale of a whole bankers' acceptance, whether the acceptance is created by the selling bank itself or by another institution, is permissible under the Glass-Steagall Act. Historically, banks have accepted drafts and sold those bankers' acceptances as a matter of traditional banking practice. The express power under 12 USC 24(Seventh) to discount and negotiate drafts and bills of exchange squarely empowers a national bank to buy and sell acceptances created by any bank. This power enables an accepting bank to create, purchase, and sell to <u>any party</u> an acceptance of <u>any denomination</u> and enables a non-accepting bank to purchase an acceptance of any denomination for resale to any party.

Included within or incidental to the power to buy and sell large denomination bankers' acceptances, in my opinion, is the power to sell fractional interests in such acceptances as long as the rights which are conveyed are, at a minimum, equivalent to those provided in the underlying documents. In this regard, national banks, relying on their express powers and on any powers incidental thereto, have traditionally engaged in the sale of participations in certain bank assets of otherwise large unit value. The virtually uninterrupted history of safety and reliability of bankers' acceptances further buttresses my determination that any sale of such participations is a prudent banking practice as well as a permissible one.

For the purposes of the Glass-Steagall Act, which generally prohibits banks from issuing, underwriting, selling, or distributing "securities," bankers' acceptances, in my opinion, do not constitute "securities." This is true regardless of the face value of the acceptance, or the identity or financial sophistication of the party to whom a bank sells the acceptances.[2] In my view, the same result should obtain in the case of participations conveying rights equivalent to those arising from the underlying acceptance.[3] However,

[2] Of course, a bank selling a bankers' acceptance, or a participation therein, may be subject to certain disclosure requirements. See the discussion below regarding the antifraud provisions of the federal securities laws.

[3] *See, e.g.,* Letter of Paul M. Homan, Senior Deputy Comptroller (April 20, 1979), *reprinted in* Fed. Banking L. Rep. (CCH) ¶ 85,167 (public sale of participations in a pool of residential mortgage loans with limited recourse to selling bank does not violate Glass-Steagall Act).

the sale of whole or fractional interests in bank assets such as bankers' acceptances has not itself been the subject of judicial scrutiny regarding the applicability of the Glass-Steagall Act, and Bank should be aware of this fact.

Securities Law Issues

Although the participations sold in Bank's program are not "securities" as that term is used in the Glass-Steagall Act, these same participations may well be "securities" under other federal statutes.

Securities Act of 1933. The registration requirements of Section 5 of the Securities Act of 1933, 15 USC 77e, attach to the offer or sale of a security, including bankers' acceptances and participations therein, absent an exemption. Section 3(a)(2) of the Securities Act, 15 USC 77c(a)(2), exempts from the registration requirement "any security issued or guaranteed by any bank." The staff of the Securities & Exchange Commission (SEC) previously has taken a "no-action" position under Section 3(a)(2) with respect to the offer and sale of depository receipts evidencing interests in drafts drawn on and accepted by a bank, where the bank's obligation to pay purchasers arose solely from its status as acceptor. *See* Letter of J. Heneghan to Bankers Trust Co. (avail. July 4, 1972). *But cf.* Letter of A. Rosenblat to M. M. Batatian (avail. Dec. 22, 1974) (participations in a bankers' acceptance are independently subject to registration requirements, absent an exemption). In Bank's program, Bank is liable as an accepting bank on the acceptance underlying the participations sold. The participations sold in the program may therefore qualify as securities issued or guaranteed by a bank under the Section 3(a)(2) exemption or other available exemption.

The registration provisions of the 1933 Act carry strict liability, and any loss suffered by customers will be a liability of the Bank, regardless of fraud, if the securities should have been registered. To resolve the question of the availability of the Section 3(a)(2) exemption or other exemption from registration, Bank must obtain either a "no-action" letter from the SEC or, at a minimum, an opinion of counsel that an exemption is available.

Investment Company Act. The registration requirements of Section 7 of the Investment Company Act of 1940, 15 USC 80a-7, would attach if Bank is operating an investment company under its program Although a bank is generally excluded from the definition of "investment company" by Section 3(c)(3) of the Act, 15 USC 80a-3(c)(3), a bank may, under certain circumstances create an investment company subject to regulation under the Act. *See Prudential Insurance Company of America* v *SEC* 326 F 2d 382 (3d Cir), *cert. denied*, 377 U S 953 (1964) Another exclusion set forth in Section 3(c)(5)(A), 15 USC 80a-3(c)(5)(A) applies to any person engaged primarily in the business of purchasing or otherwise acquiring notes drafts, acceptances, open accounts receivable, and other obligations representing part or all of the sales price of merchandise, insurance and services

The staff of the SEC, which enforces the Investment Company Act, previously has taken a "no-action" position under one or both of these sections of the Investment Company Act with respect to sales of participations in bankers' acceptances. *See* First National Bank of Chicago, [1980 Transfer Binder] Fed Sec. L. Rep. (CCH) ¶ 76,412; Prudential-American Securities, Inc. [1974–75 Transfer Binder] Fed Sec L Rep. (CCH) ¶ 80,106. It appears, therefore, that Bank's program does not result in the creation of an investment company subject to the provisions of the 1940 Act, due to the applicability of these exemptions

Antifraud provisions. The antifraud provisions of the federal securities laws apply to any sale of securities. *See* 15 USC 77(*l*)(b), 77q, 78j(b). The definition of "security" in Section 3(a)(10) of the Securities Exchange Act of 1934 provides that

> unless the context otherwise requires . . . [t]he term "security" means any note, . . . bond, debenture, certificate of interest or participation in any profit-sharing agreement . . . , transferable share, investment contract, certificate of deposit, for a security, or in general, any instrument commonly known as a "security"; . . . but shall not include currency or any note, draft, bill of exchange, or bankers' acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited
> (15 USC 78c(a)(10).)

It has not been conclusively established that a participation in a bankers' acceptance is excluded from the 1934 Act definition of "security." It is possible that such participations are exempt from the antifraud provisions in the 1934 Act to the same extent that the underlying bankers' acceptance is Nevertheless, as noted above, such participations do appear to be "securities" within the definition of that term in the 1933 Act *See* 15 USC 77b(1) Therefore, although Bank might qualify for an exemption to the 1933 Act registration requirements, Bank remains subject to the antifraud provisions of that Act *See* 15 USC 77q

In order to avoid potential liability under the antifraud provisions of the 1933 Act and the 1934 Act, if

[illegible] and as a matter of safe and sound banking practice, Bank should fully disclose all material information regarding the particular acceptances subject to customer participations and the participations themselves. These disclosures should include, at a minimum: (1) the fact that the participation being sold is an interest in a bankers' acceptance, (2) the terms of the transaction (*i.e.*, trade date, settlement date, yield, and dollar price), (3) a description of the bankers' acceptance underlying the transaction (*i.e.*, market value, face amount, name of the issuing bank, and maturity), with a statement regarding the eligibility of the bankers' acceptance for discount with Federal Reserve Banks[4], (4) appropriate background information regarding the accepting bank and its financial condition, (5) the fact that the customer will have the right to proceed against the drawer of the underlying draft, (6) the fact that the instruments are not deposits and are not insured by the FDIC, (7) an explanation of the meaning of the term "non-negotiable"; and (8) any other material information concerning the transaction. In addition to providing information on the financial condition of Bank as the accepting bank (item (4) above), Bank may in some circumstances have to provide the same type of information on the drawer.

Bank should consult securities counsel concerning the application of the antifraud provisions of the federal securities laws and the precise nature of disclosure to be made in connection with the offer and sale of participations in bankers' acceptances.

Summary

Bank's sale of participations in denominations as small as $25,000 in eligible acceptances created by Bank is a deposit subject to the reserve requirements of Regulation D unless pro rata ownership rights to the acceptance have been effectively transferred to the purchaser. Bank must obtain a formal opinion of counsel that this transfer of rights is effectively accomplished by Bank's procedures and documentation.

The Comptroller's Office believes Bank's program is permissible under the Glass-Steagall Act.

Bank must obtain either a "no-action" letter from the SEC or an opinion of counsel on the availability of an exemption from the registration requirements of the Securities Act of 1933.

Bank must consult securities counsel regarding the disclosure of material information to purchasers, including information relating to the financial condition of Bank as the accepting bank.

Brian W. Smith
Chief Counsel

* * *

273—October 12, 1983

This is in response to your letter of April 21, 1983, to Charles F. Byrd, Acting Director, Legal Advisory Services Division. You request an opinion concerning the power of a national bank to make a reverse mortgage loan.

A reverse mortgage loan is one in which the bank advances the principal amount lent—either at once at the initiation of the loan agreement or in installments over the term specified in the agreement—and repayment is set for a future date—after a certain period of years or on the occurrence of a specified event such as sale of the property or death of the borrower. The interest rate may either be fixed or variable. Interest may be paid monthly, or it may be added to the outstanding loan balance monthly as it accrues. The loan may be used to pay off outstanding obligations, among other purposes, but often the borrower owns the property without lien or encumbrance.

The reverse mortgage loan you propose would be to one of the bank's farm borrowers in his early sixties. It would be secured by a 120-acre farm. You state the loan would permit the farmer to pay off some outstanding obligations and provide some cash flow for real estate taxes, insurance, and the like. The terms of the loan have not been finally formulated, but you state the loan to appraisal value would not exceed 65 percent and the note would be written at either a fixed or a variable rate, with monthly draws not to exceed $500.00. Although your letter is unclear on this point, I assume the loan has a definite maximum dollar amount and term of years, that is, the monthly draws would not continue indefinitely for the life of the borrower. You also do not indicate what the repayment plan would be. But I assume that in the event repayment comes through foreclosure or transfer of title or from proceeds of the property on sale or on the death of the borrower, the bank recovers only the loan balance and accrued interest.

[4] Although Bank's program involves sales of *nontransferable* [illegible] of the Federal Reserve [illegible] would provide [illegible]

It is my understanding that you intend to make this loan in accordance with the provisions of Minnesota banking law which specifically allow reverse mortgage loans. *See Minn. Stat. Ann.* Section 47.58. I offer no opinion regarding whether your planned loan meets the requirements of the Minnesota law or on the necessity of compliance with Minnesota law. You ask this Office whether any provision of federal law governing national banks places additional restrictions on your bank's power to make such reverse mortgage loans.

National banks may make loans secured by liens on interests in real estate. 12 USC 371. A reverse mortgage loan such as you describe is a loan secured by real estate and accordingly is within a national bank's powers under Section 371 and must comply with the requirements of Section 371. Section 371 was amended by the Garn-St Germain Depository Institutions Act of 1982. The amended Section 371, effective April 14, 1983, removed statutory restrictions on real estate lending contained in the former law and authorized the Comptroller to prescribe any further conditions on real estate loans. Recently, the OCC promulgated a final regulation implementing Section 371. *See* 48 Fed. Reg. 40698 (Sept. 9, 1983) (to be codified at 12 CFR Part 34). Generally speaking, this regulation places no additional restrictions on national banks' real estate lending activities.[1]

A reverse mortgage loan with an adjustable interest rate may also be subject to this Office's adjustable rate mortgage (ARM) regulation. *See* 12 CFR Part 29. This would occur if two conditions are met. First, the loan must be secured by a one- to four-family dwelling. Thus, if the farm site includes a one- to four-family dwelling and the dwelling, not the agricultural land, is the primary basis for the bank's loan, this condition is met. But if the primary basis of the loan is agricultural, that is, if the bank in good faith determines that the loan would be made irrespective of the existence of the residence, then the loan would not be subject to the ARM regulation. Secondly, the loan must be for the financing or refinancing of the purchase of a one- to four-family dwelling. You state the loan will be used to pay off the borrower's outstanding obligations. If those obligations include any purchase price for the property, then the loan would be considered a refinancing of the purchase under the ARM regulation. If the loan is subject to the ARM regulation, then the limitations and disclosure requirements of 12 CFR Part 29 would apply. In any event, disclosures required by the Truth in Lending Act or other laws must be made, if applicable.

Finally, there are other concerns generally relevant to reverse mortgage loans but which may not arise in the loan you have submitted because of the way that loan is structured. However, without more specific information, I cannot offer a definitive opinion. First, the amount to be advanced by the bank should be a definite amount. That is, a bank should not undertake an obligation to make monthly payments for the life of the borrower. Such an arrangement raises questions whether the bank is engaging in the business of insurance through a life annuity contract.

Second, if the bank intends from the outset to profit from any increased value in the property rather than from the underlying lending transaction, it might be construed as a violation of 12 USC 29. Section 29 limits the circumstances in which a national bank may own real property. A violation might be found if the bank's repayment rights were not to receive the amount of principal lent and accrued interest (including a share in any increase in value in lieu of interest) but only to receive a proportion of the property value or even outright ownership in exchange for the loan. While taking a proportion of the property value as interest is permissible, it is essential that the borrower be obligated to repay the principal. Furthermore, if the bank clearly has no reasonable expectation that the loan can be repaid and is therefore looking from the outset only to foreclosure at the conclusion of the loan term, the loan may be viewed by the examiners as unsafe and unsound.

In summary, the proposed loan appears to be permissible if made in accordance with applicable laws and regulations as described above. The bank should be aware of these requirements and apply them to the particular circumstances of the reverse mortgage loan proposed in your letter.

I trust this has been responsive to your inquiry. I have enclosed a copy of an earlier published letter relating

[1] The former version of 12 USC 371 imposed several statutory limitations on real estate lending, and this Office's former Interpretive Rulings implemented those limitations. *See* IR 7.2000–7.2700 (12 CFR 7.2000–7.2700). For loans made prior to the effective date of the new regulation, September 9, 1983, those interpretive rulings would have impact on reverse mortgage loans just as on any real estate loan. First, reverse mortgage loans must comply with the loan-to-value ratios specified for various types of real property. *See* IR 7.2010. Second, real estate loans where the amount loaned exceeds 75 percent of the value or where the real estate is improved with a one- to four-family dwelling are subject to a 30-year amortization requirement. *See* IR 7.2125. If the amortization requirement applies and a reverse mortgage loan does not have a schedule of amortizing payments by the borrower, it may not meet this requirement. However, under the former statute and rulings, a certain amount of nonconforming real estate loans are allowed. *See* IR 7.2700.

with reverse annuity mortgages. See CCH Federal Banking Law Reporter ¶ 85,312 (December 8, 1981)

[illegible]
Attorney
Legal Advisory Services Division

* * *

274—December 2, 1983

Nathaniel E. Butler, Esq.
723 Washington Building
1435 G Street, N.W.
Washington, D.C. 20005

Dear Mr. Butler:

This responds to your request on behalf of American Bankers Insurance Group, Miami, Florida, for a ruling on a proposal under which insurance agents will lease space in national banks and offer a full range of insurance products to the bank's customers and the general public.

The proposal

Under your proposal, the insurance agent who markets insurance products from bank premises will not be an employee of the bank. Instead, he/she will be either an independent agent, a licensed employee of an insurance agency, or an employee of the insurance company. The location of the agent within the bank will vary with the circumstances, but in many cases the agent will be adjacent to the retail banking area or lobby so as to be accessible to customers.

The agent will lease space from the bank. The terms of the lease contract will vary from bank to bank, but will be comparable to many commercial leases that call for rent based on the amount of space used, the volume generated and the various services provided by the parties to the agreement.

Legal issues

It is well established that national banks may, under 12 USC 29 and 12 USC 24 (Seventh), lease excess office space in bank-owned buildings. *Wirtz v. First Nat'l Bank & Trust Co.*, 365 F.2d 641, 644 (10th Cir. 1966) ("A widely practiced incident to the banking business is the right of the bank to own its office building and to [illegible] its expenses and operating costs by renting space to others"); *Wingert v. First Nat'l Bank*, 175 F. 739, 741 (4th Cir. 1909), *appeal dismissed*, 223 U.S. 670 (1912); *Brown v. Schleier*, 118 F. 981, 984 (8th Cir. 1902), *aff'd*, 194 U.S. 18 (1904). Moreover, it is common for national banks to lease excess office space to a variety of tenants. Indeed, at least one national bank has been leasing space in its branch offices to agents of a major insurance company for some time and, to our knowledge, no assertion has been made by any party that the bank is violating federal banking laws. Other banks as well as federal savings and loan associations are leasing space to full service brokers of financial products (*e.g.*, stocks) and sharing commissions.

Incidental to a national bank's authority to lease its office space to others is its authority to establish appropriate lease terms. In my opinion, a national bank may bargain for whatever terms are usual and customary in the leasing of commercial office space. Since the bank must compete with other lessors, it ought to be able to compete on the same basis and without restrictions not otherwise required by the need to observe safe and sound banking practice.

In light of the above, a lease to an insurance agent based in part on the volume of sales or gross income is a valid lease for a national bank lessor to make. Such "percentage leases" are now widespread. Annotation, *Calculation of Rental under Commercial Percentage Lease*, 58 ALR3d 384, 392–394 (1974). According to one authority:

> The percentage lease antedates this century, but did not become common until the Depression of the 1930's, when circumstances compelled renegotiation of leases with fixed rent. Its use has continued and expanded because it is appropriate for tenants in retail business. It gives a tenant security of occupancy at a rent it can presumably afford in bad times . . . , and gives landlord an opportunity to share in tenant's success without being saddled with long-term low rental agreements. In leases of shopping center stores its use is virtually universal. In other retail establishments its use is hardly less. [Footnotes omitted.]
> (*Friedman on Leases* §6.1 (2d ed. 1983).)

By leasing a portion of its premises to an insurance agent on a percentage lease, a national bank is not engaging in the insurance business or acting as an insurance agent in possible violation of 12 USC 92 and 12 USC 24 (Seventh), as interpreted in *Saxon v. Georgia Ass'n of Independent Ins. Agents*, 399 F.2d 1010 (5th Cir. 1968) (holding that national banks in places exceeding 5,000 persons cannot act as agent for property and casualty insurance on collateral securing the bank's loans).

Rather, the bank is simply exercising its right under 12 USC 29 and 12 USC 24 (Seventh) to lease property it does not need for its own use. The transaction is not a joint venture. Moreover, under the Uniform Partnership Act and the pertinent case law, a percentage lease does not create a partnership in the usual situation. *Uniform Partnership Act* Section 7(4)(b), as reprinted in 6 *Uniform Laws Annotated* (West, 1969); *H. T. Hackney Co.* v. *Robert E. Lee Hotel*, 300 S.W. 1 (Tenn. 1927); *Wagner* v. *Buttles*, 139 N.W. 425 (Wis. 1913). Only in the case where the percentage required under the lease is unusually high or the lessor exercises management control over the lessee's business would an inference of partnership arise. *Friedman on Leases, supra*, Section 6.101. Since national banks will be expected to contract on the basis of terms usual and customary in the field of commercial leasing, no such situation should arise. Nevertheless, the Comptroller's Office advises that national bank lessors should include a clause expressly negating a partnership or joint venture. For safe and sound banking purposes, this clause should also preclude any bank liability for the tenant's debts and liabilities.

For the same reasons discussed above, state insurance laws, such as laws barring the payment to or the splitting of commissions with unlicensed parties, cannot bar a national bank and an insurance agent from entering into a percentage lease. The payments to the bank will be in the nature of rent, not a payment to or splitting of commissions, and there will no day-to-day control by the bank of the agency's operations. The situation is similar to an independent agent who leases space from a shopping center developer on a percentage lease. Since to our knowledge no state insurance commissioner has taken the position that the agent in this situation is illegally splitting his commissions with unlicensed persons, there should be no cause for questioning a similar arrangement between a bank lessor and an agent. Indeed, at least one court has held that a lease with an insurance agency, on which the rent was based in part on a percentage of gross premiums, does not contravene a state law prohibiting the payment of commissions or fees to unlicensed persons for procuring insurance. *Wright* v. *Trotta*, 367 A.2d 557, 561–562 (Md. 1976). In an analogous situation, a department store that leased space for an optometry department on a percentage basis was held not to be thereby practicing optometry. *State* v. *Gus Blass Co.*, 105 S.W. 2d 853 (Ark. 1937). See also *Fraser* v. *Hostetter*, 262 N.Y.S. 2d 891 (Sup. Ct. 1965); *Friedman on Leases, supra*, Section 6.101 ("A requirement that tenant have a license for the conduct of his business does not affect the validity or enforceability of a percentage lease with a landlord who has no such license. The landlord is not deemed to be a participant in the business.")

Safety and soundness considerations

Leasing excess space to insurance agents and other providers of financial services is an increasingly important consideration for banks. Many banks today are operating with the substantial financial burden of extensive and expensive branch networks. As banks place greater emphasis on the more efficient and economical delivery of banking services, such as by electronic means, the need to make their "brick and mortar" facilities more profitable increases. The rental by banks of excess space in their branch offices seems to be an appropriate vehicle for alleviating the fixed costs associated with these locations.

In addition to observing the precautions noted earlier, national banks that lease retail space to insurance agents should assure that the agency is appropriately and separately identified through the use of signs, proper labelling, etc. While it is not necessary to separate the agency from the bank with a wall, as was apparently done by at least one bank, some effort to differentiate the two must be made so that the public will understand it is not buying insurance from the bank. Bank advertising and literature that mentions the insurance agency should make clear the agency's independent ownership and operation.

This ruling contemplates that the relationship between the bank and the insurance agency will be at arms-length, and that the bank will actively seek to maintain it as such. In this regard, national banks are reminded that tying arrangements involving the sale of insurance and the granting of credit may violate federal and state antitrust laws, and that under no circumstances are national banks to engage in unfair or deceptive acts or practices.

When deciding where the insurance agency is to be located in relation to the retail area, bank management should consider any security problems that may be presented by providing the public with access to the agency during hours when banking services are not also available.

This Office also strongly advises against leasing retail banking or lobby area space to bank employees, officers, directors, principal shareholders, or their immediate families for the conduct of their own insurance business. On several occasions, we have stated that banks should avoid leasing space from insiders, and the same rule applies to leasing space to insiders for the operation of individually-owned enterprises. Such a situation raises serious questions of conflict of interest and self dealing that a national bank should make a conscious attempt to avoid. *See* OCC Interpretive Letters, CCH *Fed. Banking L. Rep.* ¶85,077

and 1[illegible] USC). This arrangement also increases the danger of [illegible] tying of products and services. It is [illegible] inappropriate for a bank to engage in such leases with an insider-owned insurance agency if the bank or its holding company is itself empowered to offer insurance services under 12 USC 92 or the various exceptions in Title VI of the Garn-St Germain Depository Institutions Act of 1982.

Brian W. Smith
Chief Counsel

* * *

275—October 21, 1983

This is in preliminary response to your application for a Change in Equity Capital on behalf of the *** (Bank) dated April 7, 1983. This application contemplates a number of transactions, which will culminate in a reverse stock split, a cashout of minority shareholders, and sole ownership of the Bank by its holding company, *** (Company). For the proposed transaction to proceed, this Office must authorize a decrease in the Bank's common stock through a reduction in par value, an increase in par value of the Bank's common stock, and the sale of the Bank's common stock. This Office will grant these approvals when it is advised how you will comply with certain conditions as set forth herein.

The transaction as proposed would proceed in five steps.

First, Company will pay Bank $346,500 (the approximate amount needed to purchase the minority shares) as a subscription for 4,950 of $70 par value shares which would be issued and sold following the reverse stock split.

Second, the par value of Bank's common stock would be reduced to $.01 per share, decreasing the aggregate par value of common shares outstanding from $385,000 to $962.50. According to the proposal, the difference between these amounts ($384,037.50) would be transferred to the surplus account. This action would decrease the Bank's total capital (as defined by 12 USC 51c) to $962.50. The proposed reduction in capital would be subject to OCC and shareholder approval under 12 USC 59 and 12 CFR 5.[illegible].

Third, [illegible] shareholder approval, the Bank proposes to [illegible] a reverse stock split at a ratio of 1 to [illegible], after which [illegible] would be 11 whole shares held by the Company and various fractional shares of $70 par value common outstanding.[1]

Fourth, the Bank proposes to eliminate all fractional shareholdings by distributing cash in lieu thereof pursuant to 12 CFR 7.6040. Your letter proposes that the fractional shareholders be paid the equivalent of $18 for each of their existing shares which, it is said, approximates the book value of those shares and, in the opinion of Company and Bank's Board of Directors, is a fair price for such shares.

Finally, the Bank proposes to transfer $346,500 from the stock subscription account to the capital stock account and, concurrently, issue 4,950 shares of $70 par value common stock to Company in accordance with its stock subscription. The issuance of additional common stock would be subject to shareholder and OCC approval under 12 CFR 5.46 and 12 USC 57. Following this transaction, Bank would have 4,961 shares of common stock outstanding, all held by Company, with an aggregate value of $347,270.

You have requested that OCC view all five steps as occurring simultaneously. However, this Office has determined that it must view the proposed transaction as a series of separate actions and, to maintain the legal integrity of the transaction, each step must be in full compliance with applicable law. In that light, the proposed reduction in capital must be modified before it may be approved.

A national banking association must obtain the approval of this Office before reducing the bank's capital pursuant to 12 USC 59. That section provides that a bank may reduce its capital "to any sum not below the amount required . . . to authorize the formation of associations. . . ." The proposal as presently structured would reduce Bank's capital to a level below the minimum amount required by statute.[2] Because Section 59 does not provide the Office with discretion to waive this provision, I conclude that the Office cannot approve the proposed reduction in Bank's capital below the statutory minimum.

[1] This reduction and the subsequent increase in par value is intended to permit the accomplishment of the reverse stock split while ensuring that the par value of each shares does not at any time exceed $100. Section 52 of Title 12, United States Code, provides that the capital stock of national banking associations "shall be divided into shares of $100 each, or into shares of such less amount as may be provided in the articles of association."

[2] In determining the amount of capital required "to authorize the formation of associations," it is necessary to make reference to 12 USC 51. Section 51 provides that a national bank organized in a place with a population of less than 6,000 must have capital of not less than $50,000. It is our understanding that [illegible] has a population of less than 6,000 and, hence, that Bank must maintain capital of at least $50,000.

Nevertheless, this objection can be overcome in at least two ways: First, the Company could contribute more capital in the form of preferred stock, so that Bank's total capital would remain above the statutory minimum. Second, Bank could reduce the par value of its stock without then transferring to a surplus account the approximately $384,000 excess created. If that excess were retained in a capital account, to be designated as capital over par or a functional equivalent, this Office concludes that such action would satisfy the requirements of Section 51. Based on the foregoing, this Office will approve the proposed reduction in capital, provided that capital is not reduced below the statutory minimum either prior to the stock split or subsequent thereto. Please inform us as to your intentions in this regard.

This Office has determined not to review the adequacy of consideration offered to minority shareholders in exchange for their shares, subject to the condition that such shareholders are provided, prior to the meeting of shareholders called to consider the proposed transaction, sufficient information to make that determination. *See* 12 USC 51a and 59; 12 CFR 5.46; and 46 F.R. 6965, 6868 (Jan. 22, 1981). All material aspects of the transaction should be disclosed. In particular, minority shareholders should be advised of Bank's purpose in conducting this stock split, the reasons for the timing thereof, and the amount and precise valuation of the consideration offered. In addition Bank should state whether it reasonably believes the transaction to be fair or unfair to minority shareholders, and discuss in reasonable detail the material facts upon which the stated belief is based. Bank should also obtain an independent appraisal or report relating to the consideration, or fairness of consideration to be offered to minority shareholders. This appraisal should form the basis for the amount of compensation paid for fractional interests. Further, as part of its disclosures, the Bank should state that it has secured such a report, the identity of the person preparing the appraisal or report, such person's qualifications and how he or she was selected, and any material relationship between Bank and such person. Bank should furnish a summary of the appraisal or report including the findings and recommendations, the basis for and methods of arriving at such findings and recommendations, and any limitation imposed by Bank, as well as furnish a statement making the appraisal or report available for inspection and copying. OCC anticipates that this transaction will be subject to applicable substantive and procedural constraints imposed by common law fiduciary duty considerations and the antifraud provisions of the federal securities laws.

Finally, this Office will approve the proposed issuance of additional common stock to Company. Once the issuance occurs, Bank may transfer an appropriate sum from its stock subscription account to its capital account and from its capital account to surplus.

Brian W. Smith
Chief Counsel

* * *

Enforcement Actions—July 1 to December 31, 1983

NOTE: Summaries for Civil Money Penalty 18 and Administrative Actions 171, 173, 186, 187, and 259 were not available in time to be included in this issue. They will be in Volume 3, Number 2.

Topic	*Actions*
Affiliate transactions	AA16 180, 206
Allowance for possible loan losses	AA158, 159, 160, 161, 162, 163, 164, 165, 167, 168, 169, 170, 175, 177, 178, 179, 180, 182, 183, 184, 185, 188, 189, 191, 192, 193, 196, 198, 200, 201, 202, 203, 204, 206, 207, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 222, 225, 226, 227, 228, 229, 230, 231, 232, 233, 236, 238, 239, 240, 243, 244, 245, 246, 248, 249, 250, 251, 252, 253, 254, 256, 257, 258, 260, 261
Asset/liability management	AA158, 159, 161, 163, 164, 165, 168, 169, 174, 175, 177, 178, 179, 180, 184, 196, 199, 206, 207, 210, 211, 212, 214, 215, 216, 218, 222, 225, 227, 229, 233, 234, 236, 238, 246, 248, 249, 250, 251, 252, 253, 254, 256, 258, 260, 261
Banking Circular 115	AA180, 196, 253
Banking Circular 157	AA169
Budget	AA158, 162, 164, 174, 175, 177, 178, 184, 185, 211, 212, 213, 225, 233, 238, 239, 249, 250, 258, 260
Call reports, refile	AA180, 182, 199, 214
Capital/capital plan	AA159, 160, 163, 165, 167, 169, 170, 174, 175, 177, 180, 182, 183, 185, 190, 191, 192, 193, 194, 195, 197, 198, 199, 200, 201, 207, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 230, 231, 233, 234, 237, 238, 239, 240, 246, 249, 250, 251, 252, 254, 255, 260, 261
Classified assets/loans	AA158, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 172, 175, 177, 178, 179, 180, 181, 182, 183, 184, 185, 188, 189, 192, 193, 194, 195, 196, 197, 198, 199, 200, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 260, 261
Collateral	AA158, 160, 162, 169, 170, 174, 175, 182, 183, 184, 195, 198, 206, 211, 212, 216, 218, 220, 225, 226, 229, 232, 233, 236, 238, 246, 247, 249, 256, 258, 260
Collection policy	*See* Delinquent loans/collection
Concentrations of credit	AA180, 184, 225, 227, 241, 243, 244, 245, 246, 247, 253, 258
Conflicts of interest	AA175, 192, 214, 247, 253, 254, 256
Consumer compliance program	AA159, 161, 163, 189, 201, 208, 210, 215, 216, 220, 222, 229, 243, 256
Consumer violations	AA169, 201, 204, 210, 215, 229, 238, 251
Contingency planning	AA194, 196, 260
Credit information	AA158, 159, 160, 161, 162, 164, 165, 166, 168, 169, 170, 172, 174, 175, 178, 179, 181, 182, 183, 184, 188, 189, 192, 195, 198, 199, 200, 202, 203, 205, 206, 207, 210, 211, 212, 214, 216, 218, 219, 220, 225, 226, 228, 229, 230, 232, 233, 236, 238, 239, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 255, 256, 257, 258, 260, 261
Credit life insurance income	AA159
Deferred taxes	AA182, 214
Delinquent loans/collection	AA158, 160, 162, 163, 165, 169, 175, 177, 178, 179, 183, 185, 189, 194, 196, 198, 199, 200, 204, 209, 211, 212, 214, 216, 218, 219, 220, 223, 225, 227, 230, 232, 233, 238, 240, 243, 244, 245, 249, 251, 255, 257, 260
Direct lease financing	AA242
Dividends	AA159, 160, 175, 177, 178, 180, 182, 183, 191, 192, 198, 199, 200, 204, 207, 211, 214, 218, 220, 222, 225, 226, 228, 230, 231, 233, 239, 249, 254, 255
Earnings	AA159, 165, 169, 170, 175, 177, 178, 183, 185, 200, 201, 204, 207, 211, 213, 215, 216, 218, 219, 227, 229, 233, 235, 236, 240, 246, 249, 253, 260, 261
Electronic data processing activities	AA168, 180, 196, 222, 231, 249, 251, 260
Emergency planning	*See* Contingency planning
Expenses	AA169
Fees and compensation	AA175, 180, 225, 253, 257
Fiduciary activities	*See* Trust department
Foreign bank agency	AA174
Funds management	*See* Asset liability management
Futures and forwards	AA214
Insider loans	CMP15, 16, 22, AA160, 163, 175, 185, 195, 197, 206, 214, 217, 248, 249, 253
Internal controls/audit	AA159, 163, 164, 169, 170, 174, 178, 184, 185, 188, 189, 192, 193, 196, 201, 202, 206, 208, 210, 211, 214, 215, 220, 225, 229, 231, 238, 243, 244, 246, 249, 252, 253, 258, 260
Investment policy	AA163, 164, 169, 178, 184, 191, 201, 210, 214, 215, 222, 231, 246, 251, 254, 256, 258, 260
Letters of credit contingent liabilities	CMP2I, AA225, 234
Loan documentation	AA208
Loan policy	CMP17, AA158, 159, 161, 163, 164, 165, 166, 168, 169, 170, 172, 174, 177, 178, 179, 180, 181, 182, 184, 185, 188, 192, 193, 196, 199, 200, 201, 202, 203, 206, 208, 209, 210, 211, 212, 213, [illegible], 216, 217, 218, 219, 220, 224, 226, [illegible], [illegible], 229, 230, 231, 232, 234, 236, [illegible], [illegible], 244, 245, 246, 247, 248, [illegible], [illegible], 254, 256, 257, 258, 260, 261
Loan review	AA158, 160, 161, 163, 164, [illegible], [illegible], [illegible], 170, 174, [illegible], [illegible], [illegible], [illegible], [illegible], [illegible], 183, 189, [illegible], [illegible], [illegible], [illegible], [illegible]

Civil Money Penalties

15. Bank with assets of $50 to $100 million

Insider violations, large and extended overdrafts, and loans at preferential interest rates to the chief executive officer, the president and a director were found in two consecutive examinations. The aggregate amount of overdrafts to the chief executive officer exceeded the bank's lending limit on several occasions. As a result of receiving no service fees on the overdrafts and being deprived of market rate interest on the loans, the bank suffered loss. Approximately half of the loss suffered had been reimbursed by the chief executive officer, president, and director.

Civil Money Penalties of $10,000, $2,000 and $2,000 were assessed against the bank's chief executive officer, the president and a director, respectively, in light of the recurring nature of the violations and the loss to the bank. The penalty against the chief executive officer was significantly greater because he was involved in more numerous and farther reaching violations. In addition, the chief executive officer, the president and the same director were assessed penalties of $22,927, $1,484, and $1,205, respectively, as a result of their individual violations. Those amounts were to be paid to either the Comptroller or to the bank.

After service of the Notices of Assessment, the bank converted from national to state charter. An administrative law judge determined that the Comptroller had the authority to pursue the action, despite the conversion. The Comptroller suspended portions of the penalties to each individual and received $5,000 penalty and $15,000 reimbursement to the bank from the chief executive officer; $1,000 penalty and $700 reimbursement to the bank from the president; and $1,600 reimbursement to the bank from the director.

16. Bank with assets of $100 to $250 million

The bank had been cited in two previous reports of examination for numerous violations of various laws, including violations of 12 USC 375a, which governs loans to insiders. The lending officer on most of those violations was the bank's president. Subsequent examinations revealed further violations of 12 USC 375a and 375b, as well as violations of 12 USC 1972, which governs loans to executive officers of a correspondent bank. The violations of 12 USC 375a and 375b arose when the bank agreed to make a loan at a market rate to a borrower who later became an officer of the bank. With that change, the interest rate on the loan was reduced to a preferential rate. The loans were not reported to the bank's executive committee. Also, the same officer had substantial overdrafts in his checking account as well as one other preferential loan. The violations of 12 USC 1972 resulted from preferential loans made to two officers of the bank's correspondent.

A Civil Money Penalty of $3,500 was assessed against the president of the bank. The bank, itself, because of repetitive violations of a systematic nature, was required to pay a Civil Money Penalty of $5,000

17. Bank with assets of $25 to $50 million

The bank was operating under an Order to Cease and Desist which required, among other things, prior board approval of all extensions of credit to borrowers whose loans had been previously criticized. In addition, the Order required the directors' loan committee to approve all loans aggregating in excess of $25,000. The primary purpose of those restrictions was to protect the bank against the liberal lending practices of the now-former president and chairman of the board. In spite of the restrictions, the president and chairman extended credit several times without appropriate approval.

A Civil Money Penalty of $4,000 was assessed against the former president and chairman in light of his disregard for the clear restrictions of the Order to Cease and Desist.

19. Bank with assets of $50 to $100 million

Large and extended overdrafts by one director and two officers who were also directors, and improper loans to one of those officers were found at two consecutive examinations. Those overdrafts created violations of law and occurred despite promises that procedures would be implemented to prevent such violations. Because the bank did not assess service charges or interest on the overdrafts, the bank suffered a loss. The extensive, albeit random, pattern of overdrafts over several years made calculation of the loss for reimbursement purposes difficult

Civil Money Penalties of $5,000 were assessed against each of the three violators in light of the recurring nature of the violations, the loss to the bank and the profit to the violators. Every other member of the board of directors was assessed a penalty of $2,500 because of promises to implement corrective measures and review overdrafts regularly, while allowing the violations to continue

20. Bank with assets of less than $25 million

Examination of the bank revealed 33 violations of 12 USC 84. The facts surrounding the violations demonstrated that they were willful. Specifically, the bank's

legal lending limit had been violated frequently, the bank had a long and continuing history of 12 USC 84 violations, and the bank's board of directors had failed to implement effective policies and procedures to insure compliance with the legal lending limit despite informal supervisory efforts. The bank had not sustained and was not expected to sustain any loss as a result of the violations. Further, the bank had apparently finally taken action to correct the excess loan problem. Nevertheless, because of the frequent and recurring nature of the violations and the evidence that the violations were willfully committed, the District Office recommended Civil Money Penalties against each individual board member.

A Civil Money Penalty of $1,000 was assessed against each director because of the gravity of the situation, because it was apparent that the violations were willful, and because prior supervisory efforts had been ineffective in eliminating or deterring the 12 USC 84 violations.

21. Bank with assets of $50 to $100 million

Numerous violations of 12 USC 84 were revealed during examination of the bank. Seven of the nine violations were the result of standby letters of credit amounting to $8.4 million issued by executive management of the bank, apparently to generate fee income. The year term of the chief executive officer and president coincided with the period of the violations. Many of the violations involved contingent losses and threatened the bank's liquidity. Credit information and documentation were sparse and inadequate and it was not clear from minutes of board meetings how much information regarding the letters of credit was provided to members of the board.

Civil Money Penalties of $1,500 each were assessed against the three former officers. Those executive officers were forced to resign and, due to significant additional problems in the bank's lending and operations areas, the board entered into a stipulation and consent to the issuance of an Order to Cease and Desist. The other directors were not assessed because of subsequent corrective actions and because of their representations that they had no knowledge of facts underlying the transactions.

22. Bank with assets of $25 to $50 million

A [illegible] examination of the bank disclosed two [illegible] violations of 12 USC 84. Four of the [illegible] involved extensions of credit to [illegible] related interests. Although several of [illegible] were [illegible].

[illegible] of $1,000 each were assessed against the bank's president and the directors who benefited from extension of credit in violation of 12 USC 84. Each of the other bank directors was assessed a $1,000 penalty to prompt them to be more aware of the bank's affairs and more cognizant of laws governing bank operations.

23. Bank with assets of $50 to $100 million

An examination of the bank revealed numerous lending limit violations on three separate lines of credit, two of which involved overdrafts. One line had been in violation of the lending limit at an earlier examination. There was a history of lending limit violations and a violation of the terms of the written Formal Agreement which required the bank to prevent lending limit violations.

Civil Money Penalties of $1,000 were assessed against each of the members of the board and the president and chief executive officer was assessed $2,500.

Administrative Actions

158. Bank with assets of less than $25 million

An examination in early 1983 disclosed that the bank's condition was unsatisfactory. An excessive volume of classified assets, heavy loan losses that had adversely impacted earnings, and ineffective funds management procedures were the bank's primary problems. Management was not considered capable of dealing with the problems. Primary capital was strong and liquidity satisfactory.

A Formal Agreement executed with the board of directors required the bank to: (1) conduct a management study and develop a management plan to correct deficiencies; (2) develop and adopt a sound lending policy; (3) develop and implement a written program to remove each criticized asset from that status; (4) develop and implement an effective problem loan identification system; (5) implement an acceptable system to ensure adequate credit information is obtained and analyzed on all borrowers; (6) establish effective procedures to ensure that past-due paper is maintained at an acceptable level and that extensions are granted only in justifiable instances; (7) implement a satisfactory system to ensure that real estate loans are supported by the proper collateral documentation; (8) establish realistic earnings goals, operating plans, and detailed budgets; (9) develop and adopt effective asset/liability management policies and procedures; and (10) review the adequacy of the allowance for possible loan losses at least quarterly.

159. Bank with assets of less than $25 million

The conversion examination disclosed several deficiencies in the bank's overall operations including an inadequate allowance for possible loan losses, poor earnings, inadequate capital to support projected growth and plans for expanded operations, lack of written asset and liability management policies, significant internal control deficiencies, lack of compliance with consumer laws, rules, and regulations, and violations of national bank laws and regulations.

Preliminary approval to convert to a national charter was granted subject to certain conditions, including injection of $1 million in capital prior to conversion, establishment and maintenance of an adequate allowance for possible loan losses, compliance with the Equal Credit Opportunity Act, establishment of adequate internal controls, directors' purchase of qualifying shares in accordance with 12 USC 72, establishment of policies to ensure that credit life insurance income is credited to the bank for the benefit of all shareholders, and purchase of required shares of stock in the Federal Reserve Bank.

A Memorandum of Understanding required the bank to: (1) increase its equity capital by not less than $1 million; (2) develop and implement written policies for the payment of dividends consistent with 12 USC 60; (3) implement a written program for maintenance of an adequate allowance for possible loan losses; (4) develop and adopt a consumer compliance program; (5) develop a profit program; (6) revise the bank's lending policy; (7) obtain and maintain current and satisfactory credit information; (8) adopt and implement a written funds management policy; (9) outline job descriptions and board responsibilities; and (10) revise the bank's internal audit program.

160. Bank with assets of $25 to $50 million

The examination completed May 10, 1983 reflected severe asset deterioration. Classified assets had increased threefold since the previous examination. Deterioration was primarily attributed to a depressed agricultural industry and, to a lesser extent, to a lack of adequate supervision and noncompliance with loan policies. Credit and collateral exceptions were high. The volume of other real estate owned and nonaccrual and past-due loans had also increased. Internal loan review was considered inadequate and the allowance for possible loan losses was minimally adequate. Although capital was considered adequate, it was threatened by the high level of classified assets. Earnings were improving, but their quality was questionable and the examiner felt that poor asset quality would eventually produce a decline in earnings. Supervision and administration needed improvement. The lending function in particular needed strengthening. The bank's liquidity and funds management activities were considered adequate and compliance with consumer legislation was satisfactory. A violation of 12 USC 84 involving a line of credit to a director's related interests was cited. In addition, one violation of 12 CFR 7.3025 was cited.

A Formal Agreement executed by the board on August 9, 1983, required the board to take immediate action to protect the bank's interests with regard to assets criticized in the report and to adopt a written program to eliminate the bases of criticism. The board, or a delegated committee, was also directed to conduct a review of the criticized assets at least monthly to determine their status, management's adherence to the adopted program, the program's effectiveness, and the need for future revision. The bank was directed to extend no credit, directly or indirectly, including renewals, extensions, or capitalization of accrued interest, to any borrower whose aggregate loans or other extensions of credit exceeded $25,000 and were criticized in the report. The board was required to establish a loan review system to periodically review the bank's loan portfolio and to identify and categorize problem credits. The board was to take all necessary steps to obtain current and satisfactory credit information and to correct each collateral exception. The Agreement required the board to review the adequacy of the bank's allowance for possible loan losses at least once each calendar quarter. Any deficiency in the allowance was to be corrected the quarter it was discovered. The board was prohibited from making, renewing, or extending any loans or other extensions of credit unless in conformity with bank's policies and procedures. The bank was prohibited from granting, purchasing, assuming, or acquiring in any manner, directly or indirectly, any loan or loan participation without full analysis and documentation. The bank was required to take immediate action to correct the violation of 12 USC 84, to send written notification of that correction to the Deputy Comptroller, and to establish procedures to prevent future violations of that statute. The bank was directed to implement a written program designed to improve and strengthen collection efforts. The board was to study the bank's management and adopt a program to eliminate any deficiencies. The board was ordered to develop a 3-year capital program, including capital requirements, projections, and a dividend policy. In order for those actions to be monitored, the bank was to report monthly describing actions taken to collect or strengthen loans that were criticized in the report, to correct financial statement and collateral exceptions, and to correct violations of law. The report was to include month-end daily statements and year to date income and expense statements.

161. Bank with assets of $25 to $50 million

Deterioration in the quality of the loan portfolio and the impact on earnings were primary concerns. Classified assets had increased substantially because of liberal lending practices and limited credit supervision by management. The allowance for possible loan losses was considered inadequate. a provision of $750,000 was made during the examination. Management's procedures to review the adequacy of the reserve were considered ineffective. Capital support was still strong, with equity capital equal to 14 percent of total assets. But that adequacy was expected to be impaired if loan portfolio quality did not improve. Several violations of law were noted. Funds management practices were satisfactory but should have been put in writing. Supervision in the consumer compliance area was lax.

A Formal Agreement required the bank to: (1) adopt and implement a program to eliminate criticized assets, (2) establish a system to identify problem loans; (3) perform and document detailed quarterly reviews of the allowance for possible loan losses; (4) take necessary steps to obtain and analyze current and satisfactory credit information; (5) review and revise existing lending policies; (6) evaluate the officer staff and prepare a staffing program, (7) reduce excessive loans, and (8) adopt and implement a written funds management policy and a consumer compliance review program.

162. Bank with assets of less than $25 million

Deterioration in the quality of the bank's loan portfolio had resulted from inadequate supervision and the purchase of poor quality loan participations from an affiliate state bank. Credit and collateral exceptions were excessive, delinquencies were at an unacceptable level, and the internal loan review system was ineffective. The allowance for possible loan losses was inadequate and earnings performance was declining because of reduced interest margins.

A Memorandum of Understanding was initiated to correct asset quality and earnings problems. The Memorandum required correction of criticized assets, restriction of lending to criticized borrowers, improved collection efforts, correction of credit and collateral exceptions, improved credit analysis before loan participations are purchased, development of a budget and profit planning system, and correction of violations of law.

163. Bank with assets of $25 to $50 million

[illegible]

management and supervision by the board of directors and executive officers. Insider abuse by controlling ownership/management was noted and numerous violations of law and regulation showed lack of concern for applicable banking statutes. Adequate policies and procedures had not been implemented for major functional areas including funds management, liquidity, earnings, investments, and capital. Earnings performance was poor because of heavy loan losses.

An Order to Cease and Desist required correction of the bank's numerous problems. The Order required: (1) a review of management to determine quality, depth, and ability; (2) improvement of criticized assets, (3) restrictions on lending to criticized borrowers; (4) revision of lending policies and procedures; (5) improved collection and charge-off policies; (6) implementation of an adequate internal loan review system; (7) maintenance of an adequate allowance for possible loan losses; (8) correction of all violations of law and regulation, and implementation of effective procedures to prevent future violations; (9) retention of independent counsel to review certain insider transactions; (10) development of an effective asset/liability management policy; (11) monthly liquidity review and analysis, (12) 3-year business and capital plans; (13) revision of the investment policy; (14) development of an acceptable internal audit function; (15) correction of internal control deficiencies; (16) implementation of an effective consumer compliance program; and (17) monthly reports on compliance with the Order.

164. Bank with assets of less than $25 million

A specialized examination revealed significant deterioration in asset quality. The decline in loan quality was attributed to unsound lending practices, ineffective loan supervision, and depressed economic conditions. A provision was made during the examination to bring the reserve to an adequate level. Earnings and capital were considered adequate. The bank had no funds management or investment policy and the loan policy was outdated. The examination also disclosed a violation of 12 USC 305.

A Formal Agreement required the board to: (1) analyze management needs and ensure that all officer positions are filled with capable individuals, (2) develop a written program to remove each criticized asset from that status, (3) certify the reasons for any additional extensions of credit to criticized borrowers, (4) ensure that adequate credit information is obtained and analyzed on all borrowers, (5) establish procedures to ensure no new loans, renewals, or extensions are granted until current and satisfactory credit information is obtained and analyzed, (6) review and amend the written loan policy, (7) implement an effec-

tive problem loan identification system, (8) establish procedures to ensure that an adequate allowance for possible loan losses is maintained; (9) correct existing violations of law and establish procedures to ensure that future violations do not occur; (10) develop a written investment policy; (11) develop a written guidelines for management of the bank's assets and liabilities; (12) correct internal control deficiencies noted in the report of examination; and (13) adopt and implement a 3-year strategic plan.

165. Bank with assets of $50 to $100 million

Significant asset deterioration and poor earnings were the major problems confronting the institution. Classified assets had increased because of poor lending supervision and a depressed local economy. Major problems had begun when management attempted to expand the loan portfolio without maintaining proper quality and administrative controls. In addition, the bank's problem loan identification system needed improvement. Earnings were poor primarily because of high overhead expenses and a large volume of fixed-rate, low-interest loans. Earnings had also been hurt by loan losses and additional loan loss provisions required as a result of the examination.

A Memorandum of Understanding required the bank to: (1) develop a profit plan to improve and sustain earnings; (2) review and revise the bank's written lending policy; (3) develop a program to eliminate criticized assets of more than $50,000; (4) obtain and analyze current and satisfactory credit information on all loans, and cease making loans without such documentation; (5) develop a program to strengthen collection efforts and reduce delinquent loans; (6) conduct quarterly reviews of the adequacy of the bank's allowance for possible loan losses; (7) establish a loan review system; (8) raise primary capital to at least 7 percent of assets, and develop a written 3-year capital program; (9) maintain documentation detailing fees paid to the banks' holding company; and (10) institute operating procedures to ensure full compliance with the bank's asset/liability management policy.

166. Bank with assets of $25 to $50 million

A specialized examination revealed a significant deterioration in asset quality. Classified assets had increased as a result of a poor farm economy and lax loan supervision. Several violations of law were noted including four violations of 12 USC 84. Capital was considered adequate and earnings fair.

A Memorandum of Understanding was executed which required the bank to develop a plan to remove each criticized asset from that status, obtain adequate credit information on all loans, review and revise the existing lending policy, correct all violations of law and establish procedures to prevent recurrence of violations.

167. Bank with assets of $25 to $50 million

An examination revealed a significant deterioration in the quality of the bank's loan portfolio. The decline in loan quality was attributed to depressed economic conditions and ineffective loan supervision. The lending staff was not considered capable of adequately dealing with the volume of problem loans. A significant addition to the reserve for possible loan losses was made during the examination to bring the reserve to an adequate level. Earnings and capital were considered adequate.

A Formal Agreement required the bank to: (1) hire a new, experienced senior loan officer; (2) analyze the bank's staffing needs in the lending area; (3) develop a written program designed to remove each criticized asset from that status; (4) certify the reasons for extending additional credit to criticized borrowers; (5) review and amend the bank's internal loan review system; (6) increase the allowance for possible loan losses to an acceptable level, and review its adequacy on a quarterly basis; (7) analyze present and future capital needs; and (8) establish a written program to maintain adequate capital.

168. Bank with assets of less than $25 million

Poor loan quality, reduced earnings, and inadequate staff led to this action. Although area economic conditions had been poor, the increase in classified assets was primarily caused by poor administration, which was evidenced by the extremely large volume of loans unsupported by current credit information. Earnings had been adversely affected by the need to make a large provision for loan losses.

A Memorandum of Understanding was signed requiring the bank to: (1) take prompt action to protect its interests with respect to criticized assets; (2) adopt a written program for eliminating the bases for criticism of assets in excess of $20,000; (3) lend no additional money to any borrower with criticized loans or other extensions of credit of more than $20,000, unless in the best interest of the bank and with prior written board approval; (4) take all necessary steps to obtain and maintain satisfactory credit information; (5) review and revise the bank's written lending policies; (6) provide for a quarterly review of the bank's reserve for loan losses; (7) identify problem loans; (8) evaluate the adequacy and sufficiency of the officer staff; (9) correct electronic data processing deficiencies; (10) expand the audit program to include consumer comp-

areas: (1) correct violations of law, and (2) revise the funds management policy.

169. Bank with assets of $25 to $50 million

The report of examination revealed serious deterioration in the bank's overall condition. The bank had absentee ownership, unstable management, poor board supervision, poor loan administration, unguided and questionable asset/liability management, poor earnings, and a lack of written policies, all of which contributed to the present unsatisfactory condition. Classified assets had risen sharply and past-due loans, loans not supported by current credit information, and collateral exceptions were all high. Lending practices were ineffective and credit standards needed strengthening. The allowance for possible loan losses was only marginally adequate in view of the volume of classified loans. The bank had suffered net losses for 1981 and 1982, and management had been relying on gains from sale of securities to reduce losses. Heavy loan losses and high occupancy expenses were burdensome and prospects for profitable operations were poor. Although primary capital equalled 11.03 percent of total assets, losses, coupled with the growth of the bank, resulted in an increasingly leveraged capital position. The consumer examination revealed that compliance was generally satisfactory, however, two violations of law were disclosed.

A Formal Agreement directed the board to correct each violation of law and establish procedures to ensure that similar violations do not occur. The board, with the assistance of bank management, is to formulate a written outline of its principal duties and responsibilities and implement a written program to ensure those duties are fully carried out. The board is to evaluate the performance, competence, and adequacy of current management and formulate a plan to strengthen and augment current management. Further, the board is to create written job descriptions for each senior officer of the bank. The board is to review and, if necessary, revise the bank's written loan policy. The board is to develop and implement a written program to improve loan administration which is to include procedures to ensure that: (1) all extensions of credit are supported by repayment programs, (2) collateral documentation is satisfactory and perfected, (3) no new loan or other extension of credit is granted without obtaining and analyzing current credit information, (4) nonperforming loans are properly placed on nonaccrual status, (5) collection efforts are improved, and (6) there are specific provisions for ap[illegible] exceptions to the written loan administration [illegible]. [illegible] renew, or extend [illegible] loan policies or complies with written provisions for exceptions. The board is to review and strengthen the bank's internal loan review program. The bank is to take steps to obtain current credit information on all loans lacking such information and to correct each collateral exception. Management of the bank and the board are to adopt and implement a program for strengthening credits or eliminating the grounds upon which each asset has been criticized. Further, the bank is not to lend additional money, renew loans, or grant extensions to any borrower whose loan or extension of credit has been criticized unless failure to do so would be substantially detrimental to the best interest of the bank. The board also was instructed to conduct quarterly reviews of the adequacy of the allowance for possible loan losses and to make adequate provisions from earnings as needed. Further, the board is to develop and adopt a written code of ethics for directors, principal shareholders, officers, employees and their related interests. The bank is ordered to review the propriety of expenses paid to the holding company for reimbursement of costs incurred in organizing the bank and to provide the Deputy Comptroller with written justification of the expense items. The board is to develop and adopt a written funds management policy. The board is also to review and revise the written investment policy and to determine whether or not it is desirable for the bank to establish a trading account. Further, the board is instructed to prepare a 3-year capital plan designed to maintain capital at an adequate level. The board is also to develop and implement a written plan to improve and sustain bank earnings. The board is to conduct a review of internal control deficiencies and develop and implement a written program to effect adequate internal controls. The board is ordered to engage an independent certified public accountant to perform an audit of the bank as of year-end 1983 and annually thereafter. The bank is to review Banking Circular 157 and adopt policies and procedures for the sale of repurchase agreements. The bank is to immediately take action to correct and establish procedures to prevent recurrence of the violations of laws cited in the consumer affairs section of the report of examination. Finally, the board is to cause the bank to submit monthly written reports to the Deputy Comptroller detailing actions taken to correct deficiencies cited in the examination report.

170. Bank with assets of less than $25 million

Problems facing the bank were high classified assets, poor earnings, and inept management. Previous management had allowed poor loan supervision which had resulted in a high volume of classified assets and excessive past due loans and collateral and financial documentation exceptions. As a result of the poor

quality of the loan portfolio, large provisions for loan losses were necessary. That eroded earnings and caused capital to become marginal.

Subsequent to the initiation of administrative action, the bank changed ownership and the officers responsible for the poor condition of the bank left.

A Formal Agreement required the bank to: (1) take prompt and continuing action to protect its interests with respect to criticized assets; (2) extend no additional credit to criticized borrowers, unless it is in the best interest of the bank and with the prior written approval of the board of directors; (3) conduct reviews of the bank's allowance for possible loan losses at least quarterly; (4) provide for regular reviews of the bank's loan portfolio to identify problem loans; (5) revise the bank's existing lending policy; (6) take necessary steps to obtain and maintain satisfactory credit and collateral documentation; (7) make no loans in excess of the limits in 12 USC 84; (8) prepare an analysis of the bank's present and future capital requirements; (9) formulate a program designed to improve the bank's earnings; and (10) correct internal control and audit deficiencies.

172. Bank with assets of less than $25 million

The examination revealed that classified loans had increased dramatically because of management's weak lending and credit administration practices. Credit information exceptions were high and liberal renewal practices were evident.

A Memorandum of Understanding required the bank to: (1) take prompt action to protect its interest with respect to criticized assets; (2) adopt and implement a written program for eliminating the basis for criticism of each asset of more than $25,000; (3) lend no additional money or otherwise extend credit to any criticized borrower, unless in the best interest of the bank and with the written approval of a majority of the board of directors; (4) take all necessary steps to obtain and maintain satisfactory credit information on all loans; (5) review and revise the bank's existing lending policy; and (6) establish guidelines on adding unpaid interest and placing loans on nonaccrual status.

174. Bank with assets of $50 to $100 million

The primary problems in this federal agency of a foreign bank were in management. The agency had grown exceptionally in one year and management had not been able to implement policies and procedures to adequately supervise that growth. That failure was especially evident in management of the loan portfolio. Credit file documentation was inadequate and there was no adequate loan review function. Inadequate credit file documentation had impeded the proper assessment of asset quality and a large volume of classified credits were noted at the most recent examination. In addition, significant internal control deficiencies and numerous violations of law and regulation were noted.

A Formal Agreement entered into by the agency's parent bank required the bank to establish and implement a plan for improved supervision over the agency's operations. The bank was also required to conduct a formal review of the sufficiency and competence of managerial staff and develop written policies regarding the agency's lending, internal loan review, funds management, and internal audit. The bank was also required to increase its capital equivalency deposit to at least 7 percent of the agency's total liabilities. In addition, the agency was to obtain current and satisfactory credit information and correct all collateral exceptions, internal control deficiences, and violations of law, rule, and regulation. The agency, in conjunction with the bank, was required to prepare annual budgets and to submit them to the Office of the Comptroller of the Currency for review.

175. Bank with assets of $25 to $50 million

Internal strife on the board and between management had adversely affected the bank. Serious insider abuses and conflicts of interest were discovered during the examination. Classified assets had increased substantially as had past-due loans and credit exceptions. Loan losses at the examination wiped out the bank's reserves. The bank lacked a formal loan review system. Capital, although equal to 7.9 percent of assets after the examination, was marginal in view of the bank's other problems.

An Order to Cease and Desist, to which the bank stipulated, required the bank to: (1) correct all violations of law, rule, and regulation; (2) remove from criticized status or eliminate all insider extensions of credit; (3) adopt a conflict of interest policy, (4) review fees paid to directors and ensure that the bank is reimbursed where such fees are found to be excessive; (5) adopt a written program to eliminate criticized assets and stop making loans to borrowers whose credits are criticized, (6) implement a program to improve collection efforts, (7) obtain current and satisfactory credit information and collateral documentation, (8) hire a capable senior lending officer, (9) establish an internal loan review system, (10) review and maintain an adequate allowance for possible loan losses, (11) perform a study of management and staffing and eliminate any deficiencies discovered in that area, (12) implement a written funds management policy, (13) prepare a 3 year business plan including

balance sheets, income statements, profit plans, and budgets; (14) maintain primary capital equal to at least 7 percent of total assets, and adopt a capital plan; and (15) restrict the payment of dividends.

176. Bank with assets of $25 to $50 million

During a routine examination of the bank, it was discovered that certain loans did not comply with all of the provisions of the Truth-in-Lending Act and 12 CFR 226.

A Formal Agreement executed between the board of directors of the bank and the Comptroller of the Currency directed that the board adopt and implement procedures designed to ensure compliance with the Truth-in-Lending Act and with Regulation Z. Additionally, the board agreed to review all loans on the bank's books as of November 1, 1981, to determine whether reimbursement was appropriate for overcharges on any of the loans.

177. Bank with assets of less than $25 million

An examination of the bank revealed that classified assets had risen dramatically. Unsound credit practices were the primary cause of that increase. Internal loan review was inadequate. Lending staff was too small to properly supervise the large volume of problem credits. Numerous repetitive violations of law existed. Capital, at 6 percent of total assets, was inadequate.

A Formal Agreement required the bank to: (1) appoint a compliance committee; (2) implement a written program to eliminate criticisms of assets and stop making loans to borrowers whose credits are criticized; (3) review and revise its lending policy; (4) establish guidelines for placing delinquent loans on nonaccrual status; (5) review and amend its internal loan review system; (6) correct all violations of law, rule, and regulation, including violations of 12 USC 84; (7) review and maintain an adequate allowance for possible loan losses; (8) achieve and maintain a primary capital to total assets ratio of 7 percent; (9) develop a profit plan, including budget, balance sheets, and income statements; and (10) adopt a funds management policy.

178. Bank with assets of $25 to $50 million

An examination of the bank revealed a significant decline in asset quality with classified assets having increased dramatically. Supervision by the board was inadequate [illegible]. Loans not supported by current credit information were excessive [illegible] poor loan [illegible] were [illegible]ered. The allowance for possible loan losses was considered inadequate in light of losses identified during the examination.

An Order to Cease and Desist, to which the board stipulated, required the bank to: (1) conduct a management study and implement a management plan; (2) acquire a senior lending officer; (3) correct all violations of law, rule, and regulation; (4) review and revise its lending policy; (5) adopt a written program to eliminate criticisms of assets and stop making loans to borrowers whose credits are criticized; (6) establish a loan review system; (7) obtain current and satisfactory credit information; (8) take action on delinquent loans; (9) review and maintain an adequate allowance for possible loan losses; (10) revise its liquidity, asset, and liability management policy; (11) review and revise its investment policy; (12) develop a profit-sharing plan, including budgets, balance sheets and income statements; (13) restrict payment of dividends; and (14) implement an internal audit program.

179. Bank with assets of more than $1 billion

An examination revealed problems centered in the loan portfolio and funds management. A substantial increase in classified assets was attributed to aggressive expansion, declining economic conditions, inadequate credit analysis, poor loan review systems, overburdened loan officers, and an increase in credit and collateral documentation exceptions. The expansion in the loan portfolio was funded by purchased funds which had adversely impacted liquidity. The bank had attempted to improve its capital by selling loan participations to affiliate banks. The allowance for possible loan losses was deemed inadequate. Finally, supervisory procedures were lacking in the bank's municipal securities dealer department.

A Formal Agreement was entered into which required the bank to form a compliance committee to monitor adherence to the document. The Agreement prohibited the bank from purchasing participations without sufficient credit information to make a prudent loan decision. A study of management and the overall staffing needs of the bank was required. Programs to address the high level of classified assets, tax collection efforts and maintenance of an adequate allowance for loan losses were required. The bank was to revise its lending policy and implement an independent internal loan review program. The bank was required to implement a funds management plan designed to maintain adequate sources of stable funding. In conjunction with that, the bank was to revise its written liquidity, asset and liability management policies. In order to guide the bank in the future, the board was to adopt and implement a strategic

plan. Finally, the bank was required to establish written supervisory procedures designed to assure compliance by the registered municipal securities dealer department.

180. Bank with assets of more than $1 billion

Examination revealed substantial deterioration in the bank's condition as well as failure to resolve longstanding violations of law and criticisms by the Office of the Comptroller of the Currency. Of particular concern was the high level of classified assets, primarily participations purchased. The participations had been purchased despite criticisms of the bank's practices in that area during a previous examination. Also of concern were violations of 12 USC 371c involving insider leases and the sale of credit card receivables to other affiliates, an inadequate allowance for possible loan losses, and inaccurate call reports resulting from the bank's refusal to take charge-offs directed by the Office. At the root of the bank's problems was a lack of strategic planning which allowed external factors such as economic fluctuation to inordinately affect the institution. Other problems included a failure to adequately identify problem loans, inordinate concentrations of credit, lack of written policies and procedures, declining earnings, inadequate capital, and lack of documentation for the payment of management fees to the bank's holding company. The magnitude of the bank's problems placed increasing burdens on the bank's already strained lending team.

An Order to Cease and Desist was issued because of the bank's failure to correct longstanding criticisms in a timely manner and the magnitude of the problems. The Order required the bank to form a review committee to monitor adherence to the Order. Further violations of 12 USC 371c, including those involving sale and lease-back transactions with insiders and the sale of credit card receivables were prohibited. All other violations of law were also to be corrected and future violations were prohibited. The review committee was required to perform a written study of the effectiveness of the board as well as the ability and structure of current management. In both instances the board was to address the deficiencies identified by the review committee and formulate a plan to correct them. Pursuant to the Order, the bank was required to complete a planned injection of primary capital and to achieve primary capital equal to 7 percent of assets within 12 months while maintaining a minimum level of 6 5 percent.

The bank was required to notify the Deputy Comptroller before paying any dividends. With respect to the loan portfolio, the bank was required to formulate a plan to address its classified assets and to extend no further credit to classified borrowers with limited exceptions The purchase of loan participations was prohibited unless the bank had acquired satisfactory credit and other information necessary to make a prudent lending decision. An independent internal loan review system was also required The bank was to maintain an adequate allowance for possible loan losses. Revisions to the bank's lending policies were required as was implementation of policies and procedures designed to reduce unwarranted concentrations of credit. The bank was to refile and republish certain reports of condition and income to reflect increases in the allowance for possible loan losses. The board was required to adopt policies concerning the funds management area of the bank. The bank was required to develop and implement a strategic planning function to produce operating plans for the bank. Management fees to the bank's holding company or its subsidiaries were prohibited except in accordance with Banking Circular 115. Finally, certain deficiencies in the bank's electronic data processing function were to be corrected.

181. Bank with assets of $50 to $100 million

Weak loan supervision, a lack of sound lending policies and procedures, and depressed economic conditions had resulted in an inordinate level of classified assets. Heavy loan losses required large provisions to the allowance for possible loan losses, but despite this earnings performance was satisfactory and capital support was considered adequate. In 1982, a Memorandum of Understanding had been entered into with the bank which dealt primarily with the lending area Because of noncompliance with certain provisions of the Memorandum, a Formal Agreement was negotiated and became effective in 1983.

The Formal Agreement required the bank to (1) adopt and implement a program to eliminate criticized assets; (2) evaluate the effectiveness of the bank's problem loan identification system; (3) take necessary steps to obtain and analyze credit information and correct collateral exceptions; (4) provide a new, capable senior lending officer responsible for supervising the lending function; (5) review and revise the existing lending policy; (6) extend credit only in conformity with loan policies and procedures, and (7) submit monthly progress reports.

182. Bank with assets of $100 to $250 million

The bank had been operating under a Memorandum of Understanding An examination revealed that compliance with the document was unsatisfactory. Problems were the result of weak lending supervision and implementation of a tax management strategy involving capitalization of deferred income tax benefits

The bank was informed of the Office's longstanding policy concerning this issue. Office policy permits capitalization only to the extent that they are likely to be realized within the annual accounting period. Adjustments were to be made before the bank filed its next call report. Those adjustments further impaired already strained capital. Violations of law and regulation, including 12 CFR 215, were also of concern.

A Formal Agreement prohibited future violations of 12 CFR 215. All violations of law were required to be corrected. Primary capital was to equal 6.5 percent of assets by year-end, and 7 percent within six months thereafter. Dividends were prohibited except with approval of the Deputy Comptroller. Recognition of deferred tax benefits as assets was prohibited unless it could be realized within the calendar year, was supported by written documentation, and was approved by the Deputy Comptroller. The bank was required to refile and republish prior years' call reports to reflect the removal of the deferred tax benefits. With respect to the loan portfolio, the bank was required to revise its loan policy, adopt a program to eliminate criticized assets, implement an internal loan review system, maintain an adequate allowance for possible loan losses, and obtain proper credit and collateral documentation. Finally, the board was to implement a formal business planning function.

183. Bank with assets of $100 to $250 million

Unstable management and ineffective board supervision were the primary factors contributing to the poor condition of the bank. In three years, the bank had had four presidents. Problems in the loan portfolio included high classified assets, a high level of insider loans, failure to pursue collection, inadequate loan review and allowance for possible loan loss functions; and a failure to obtain credit and collateral documentation. Although policies adopted by the board were generally adequate, they were not followed. Earnings were poor because of the loan portfolio problems. An inadequate capital program and large dividends had caused primary capital to fall below acceptable levels.

A Formal Agreement called for the formation of a compliance committee. The bank was prohibited from acting except in conformance with policies adopted by the board or in compliance with their provisions for exceptions. The compliance committee was required to evaluate the bank's management and the board was required to correct any deficiency disclosed. With respect to the loan portfolio, the bank was required to develop a program to reduce the criticized assets, [illegible] from [illegible] strengthen [illegible] primarily [illegible] for additional

loans, obtain proper credit information and collateral documentation, establish an internal loan review system, and maintain the allowance for possible loan losses at an adequate level. Further, the bank was required to adopt a program to improve the earnings of the bank and to maintain primary capital at 7 percent of assets. Finally, dividends were prohibited except with the approval of the Deputy Comptroller.

184. Bank with assets of $25 to $50 million

Significant asset deterioration and poor earnings were the major problems confronting the bank. Asset deterioration was signaled by the bank's acquisition of below-investment-grade securities, increased nonperforming assets and high levels of loans past due. Formerly a strong earner, the bank's earnings performance had been acutely affected by declining interest margins, increasing overhead expenses, nonaccrual assets, and provisions to the allowance for possible loan losses. Weak supervision by the board coupled with inexperienced executive managment were considered the primary reasons for many of the bank's problems. Several violations of law and numerous internal control deficiencies were also noted.

A Formal Agreement required the bank to: (1) correct all violations of law, rule, and regulation, and adopt procedures to prevent their recurrence; (2) evaluate present management and determine the need to make appropriate management changes; (3) eliminate the grounds for criticism of each asset in excess of $50,000, and stop making loans to borrowers holding criticized loans; (4) review and maintain the adequacy of the allowance for possible loan losses; (5) develop a written funds management policy; (6) develop a written 3-year business plan, including a profit plan and detailed budget; (7) review and update the bank's investment policies to reflect present investment goals and strategies; (8) review and update all other written policies to correct deficiencies in the bank's procedures set forth in the report of examination; (9) correct all collateral exceptions; (10) correct all internal control deficiencies; (11) obtain and analyze current and satisfactory credit information before extending credit in any form; and (12) develop procedures to identify and control concentrations of credit. The board also agreed to report quarterly to the Deputy Comptroller on actions taken to comply with the Agreement and the results of those actions.

185. Bank with assets of $50 to $100 million

An inadequate capital base, asset deterioration, and insufficient earnings to properly augment capital were the major problems confronting this institution. Asset quality had deteriorated primarily because of ineffective credit administration and a poor local economy.

Rapid asset growth without proper planning had further compounded the bank's problems, and several violations of law, internal audit deficiencies, and internal control exceptions were noted.

A Formal Agreement required the bank to: (1) achieve primary capital equal to at least 7 percent of total assets and adopt a satisfactory written capital plan; (2) adopt and implement procedures to prevent the recurrence of previously cited violations of law, rule, or regulation; (3) eliminate grounds for criticism of each asset of $50,000 or more and stop making loans to criticized borrowers; (4) develop a program to improve collections and reduce delinquent loans; (5) review and maintain an adequate allowance for possible loan losses; (6) develop a profit plan to improve and sustain earnings; (7) amend loan policy to include criteria on loans to directors and executive officers; (8) correct internal control deficiencies and adopt procedures to ensure future adherence; and (9) develop a program to improve and strengthen the internal audit function. The board also agreed to report quarterly to the Deputy Comptroller on actions taken to comply with the Agreement and the results of those actions.

188. Bank with assets of $25 to $50 million

Classified assets had increased to 132 percent of gross capital funds as a result of poor credit supervision, understaffing in the lending area, and a collateral-based lending philosophy. Earnings had historically been high but overstated because of management's practice of capitalizing interest. Earnings were expected to be further adversely affected by increased loan loss provisions resulting from the poor quality of the loan portfolio.

A Formal Agreement required the bank to: (1) take prompt action to protect its interest with respect to criticized assets; (2) to adopt and implement a written program intended to eliminate the bases upon which assets have been criticized; (3) extend no additional credit to classified borrowers unless in the best interest of the bank and with prior written approval of the board; (4) obtain, analyze, and maintain adequate credit information; (5) conduct quarterly reviews of the allowance for possible loan losses; (6) review and revise the bank's lending policy to establish guidelines for collections, charge-offs, recoveries, addition of unpaid interest, and nonaccruals; (7) take necessary steps to correct violations of law, and (8) to adopt and implement internal controls.

189. Bank with assets of $25 to $50 million

The bank showed steady deterioration as a result of inadequate board and management supervision. The bank had been operating under a Formal Agreement, but the board had never made the commitment to comply with the document. Classified assets, past due loans, and credit exceptions had increased substantially. Other criticisms were ineffective internal loan review and inadequate allowance for possible loan losses. Numerous violations of law were noted, including five violations of 12 USC 84, many of which were caused by poor overdraft lending practices. There was some loss on a portion of a line to a borrower in violation of 12 USC 84. Earnings and capital, although historically strong, were somewhat overstated as a result of management's practice of capitalizing interest on loans.

An Order to Cease and Desist, to which the bank stipulated, required the bank to: (1) appoint a compliance committee; (2) take action to correct all violations of law; (3) employ an independent counsel to investigate the extensions of credit in violation of 12 USC 84 on which loss was incurred by the bank; (4) conduct a management study; (5) act to reduce criticized assets, and stop making loans to borrowers whose credits are criticized; (6) correct credit information deficiencies; (7) implement an overdraft policy; (8) review and maintain an adequate allowance for possible loan losses; (9) implement a written internal audit program; (10) establish an internal loan review system; (11) reverse or charge-off interest which had been improperly accrued; (12) implement a policy governing nonaccrual loans; (13) implement a program to improve collection efforts; and (14) implement a consumer compliance program.

190. Bank with assets of less than $25 million

The examination revealed the condition of the bank to be critical. Primary capital had dwindled to 2 percent of assets and was comprised almost entirely of the allowance for possible loan losses. Past-due loans, nonaccruals, and classified assets were all at extremely high levels. The bank was not complying with a stipulated Order to Cease and Desist requiring a capital plan and achievement and maintenance of primary capital equal to 7 percent of total assets.

A Notice of Charges and Temporary Order to Cease and Desist were served upon the bank. The Notice of Charges alleged inadequate capital in relation to the volume of poor-quality assets and overall condition of the bank. The Temporary Order to Cease and Desist required an immediate injection of capital in the bank.

191. Bank with assets of $100 to $250 million

Problems included diminished capital, excessive classified assets, inordinate loan losses, and negative earnings. These conditions were attributed to aggressive expansion and the profit-oriented philosophies of

two former officers. However, after their termination, the bank was considered to be capably administered both at the board and management levels. The ratio of primary capital had fallen to 5.4 percent of total assets. Nonearning assets and classified assets were high. To the bank's credit, however, board members and management were taking many corrective actions, including making a capital injection and a shrinking of the bank's total assets.

A Formal Agreement required the bank to: (1) achieve and maintain primary capital equal to at least 7 percent of total assets through a capital injection and a reduction of the bank's total assets, (2) restrict payment of dividends, (3) review and maintain an adequate allowance for possible loan losses; (4) correct all violations of law; and (5) implement a trading account policy before engaging in securities trading activities.

192. Bank with assets of less than $25 million

An examination revealed rapid deterioration in the overall condition of the bank. In particular, the examination revealed numerous violations of law, high levels of criticized assets, large numbers of loans not supported by current and satisfactory credit information, and inadequate capital. Those deficiencies were primarily attributable to inadequate management and staffing, poor lending practices, and inadequate supervision by the board of directors.

An Order to Cease and Desist, stipulated to by the board, required the bank to: (1) appoint a compliance committee (2) refrain from extending credit in violation of 12 USC 84, and correct existing violations; (3) employ a special counsel to investigate violations of 12 USC 84, (4) correct other violations of law; (5) develop and implement a written management plan; (6) appoint a senior lending officer, (7) adopt a written, comprehensive conflict of interest policy; (8) adopt a written program for criticized assets, (9) adhere to its written lending policy (10) establish a loan review system (11) obtain and maintain current and satisfactory credit information (12) maintain an adequate allowance for possible loan losses, (13) achieve and maintain primary capital equal to 7 percent of total assets and develop a capital plan (14) refrain from paying dividends unless with prior approval of the Deputy Comptroller and (15) implement a written internal audit program.

193. Bank with assets of $100 to $250 million

An examination revealed deterioration in the overall condition of the bank. In particular, it revealed high levels of criticized assets, inadequate lending policies, violations of law, and an inadequate allowance for possible loan losses. Those problems were primarily attributed to inadequate lending practices, inadequate management and supervision, and poor economic conditions.

A Formal Agreement required the bank to: (1) conduct a written review of bank management, (2) revise the bank's loan policy, (3) adopt a written program for criticized assets; (4) maintain an adequate allowance for possible loan losses; (5) develop a 3-year capital program; (6) correct all violations of law, rule, and regulation; and (7) correct certain audit deficiencies.

194. Bank with assets of more than $1 billion

An examination revealed deterioration in the bank's operations, especially in the lending area. In particular, the examination found high levels of criticized assets, inadequate capital, and staffing deficiencies in the bank's lending operations. Those problems were primarily attributed to the bank's merger with another institution from which it inherited many deficiencies.

A Memorandum of Understanding required the bank to: (1) achieve and maintain a minimum level of capital, (2) adopt a written plan to eliminate criticized assets, (3) review the bank's procedures for controlling delinquent loans, (4) review the adequacy of the bank's staffing, (5) correct violations of law, and (6) formulate contingency plans for the protection of records.

195. Bank with assets of $50 to $100 million

An examination revealed rapid deterioration in the overall condition of the bank. It also disclosed extremely high levels of criticized assets which had had a significant impact on the bank's capital structure. The severe deterioration in asset quality was primarily attributed to the bank's purchase of poor-quality participations without documentation of credit capacity and collateral support, as well as massive extensions of credit to insiders and their related interests.

A Temporary Order to Cease and Desist required the bank to immediately inject equity capital, refrain from purchasing, assuming, or acquiring any loan, loan participation, or other asset, without obtaining certain prescribed information, and refrain from extending credit to criticized borrowers listed in the Temporary Order.

196. Bank with assets of $25 to $50 million

A general examination revealed deficiencies in the bank's overall operations. The examination disclosed high levels of criticized assets, inadequate funds management policies, high levels of past due loans,

lending policy deficiencies, undocumented expense accounts, and an inadequate allowance for possible loan losses. Those problems were primarily caused by ineffective board supervision, inadequate management, and poor economic conditions.

A Formal Agreement required the bank to: (1) study the lending staff and correct any deficiencies; (2) adopt a written program to eliminate criticized assets; (3) establish a loan review system; (4) maintain an adequate allowance for possible loan losses; (5) adhere to the bank's loan policy; (6) adopt a written program to improve collection efforts; (7) provide adequate documentation to support certain bank expenses, and take steps to ensure compliance with Banking Circular 115; (8) adopt a written funds management policy; (9) adopt an electronic data processing contingency plan; and (10) implement an audit program for electronic data processing and consumer functions.

197. Bank with assets of $50 to $100 million

The bank was operating under an Order to Cease and Desist. However, a specialized examination revealed significant deterioration in the overall condition of the bank. The examination disclosed massive loan losses which were primarily attributed to liberal extensions of credit to insiders and their related interests and certain insiders' domination of management and board decision making.

A Temporary Order to Cease and Desist was issued which required the bank to cause the immediate injection of equity capital and refrain from extending credit to certain borrowers listed in the Temporary Order. In addition, the Order restricted the ability of one of the bank's directors to engage in certain transactions without the prior documented approval of the board.

198. Bank with assets of $100 to $250 million

The bank had been acquired through foreclosure and was operating under an assistance agreement with the FDIC. An examination subsequent to the acquisition revealed continuing deficiencies in the bank's overall condition. In particular, the examination revealed inadequate capital, inadequate allowance for possible loan losses, violations of law, high levels of criticized assets, high levels of overdue loans, and collateral documentation exceptions. Those problems were primarily due to ineffective management and supervision by the prior owners and poor economic conditions

A Formal Agreement required the bank to (1) establish a compliance committee; (2) achieve and maintain certain prescribed capital ratios. (3) adopt a capital program, (4) maintain an adequate allowance for possible loan losses, (5) refrain from declaring dividends without prior notification to the Deputy Comptroller; (6) correct violations of law, rule, and regulation; (7) adopt a written program to eliminate criticized assets; (8) obtain and maintain current and satisfactory credit information; and (9) improve and strengthen the bank's collection efforts.

199. Bank with assets of $25 to $50 million

An examination revealed significant deterioration in the bank's overall condition necessitating the issuance of a Temporary Order to Cease and Desist which addressed the substantial deficiencies in the bank's capital structure. The examination also disclosed other problem areas, including violations of law, high levels of criticized assets, high levels of loans lacking current and satisfactory credit information, internal control deficiencies, inadequate APLL, funds management deficiencies, and inadequate lending policies.

An Order to Cease and Desist required the bank to. (1) immediately inject additional equity capital and maintain capital at a prescribed level; (2) refrain from extending credit in violation of 12 USC 84; (3) correct violations of law, rule, and regulation; (4) adopt a written plan designed to eliminate criticized assets; (5) establish a loan review system; (6) obtain and maintain current and satisfactory credit information, (7) improve the bank's collection efforts; (8) revise the bank's lending policy; (9) refrain from declaring dividends without prior written notification to the Deputy Comptroller; (10) revise the bank's funds management policies; and (11) refile certain reports of condition

200. Bank with assets of $250 to $500 million

The bank had entered into a Formal Agreement in 1981 to address various deficiencies in the bank's overall operations. Although progress had been made toward correcting those problems, an examination had revealed further deterioration in the bank's condition, primarily because of the down swing in the Mexican economy. The examination disclosed high levels of criticized assets, poor earnings, inadequate capital, violations of law, and deficiencies in the bank's lending operations

An Amended Formal Agreement required the bank to (1) establish a compliance committee. (2) implement a written management plan. (3) achieve and maintain primary capital at a prescribed level and refrain from declaring dividends without prior written notification of the Deputy Comptroller (4) prepare an earnings program. (5) adopt a written program for criticized assets

(6) maintain an adequate allowance for possible loan losses; (7) obtain and maintain current and satisfactory credit information; (8) revise the bank's lending policy; (9) improve the bank's collection efforts; and (10) correct violations of law, rule, and regulation.

201 Bank with assets of $100 to $250 million

An examination revealed that the bank was in substantial noncompliance with a Formal Agreement and that the condition of the bank had continued to deteriorate despite a change in control and new management. The level of criticized assets remained excessive and past-due and nonaccrual loans were inordinately high. Loan administration, particularly in the international area, was poor. Loan losses continued to have a significant negative impact on earnings and capital, and capital was considered inadequate. Unsafe and unsound practices were found in the investment portfolio and trading account areas, including "gains trading," failure to separate investment portfolio and trading account transactions, and violations of Municipal Securities Rulemaking Board rulings. Violations of consumer laws, deficient management information systems, and inadequate policies and procedures were also revealed.

An Order to Cease and Desist, consented to by the bank through the board of directors, required a review of securities transactions over a specified period and a report on the appropriateness and materiality of recording and reporting securities transactions as investment portfolio items, the receipt and disbursement of all funds associated with the purchase and sales of securities, the accuracy of accounting and recordkeeping entries, and the validity of prices paid and received. The bank was required to either register as a municipal securities dealer or seek a "no action" letter from the Securities and Exchange Commission. Revisions in the bank's investment policy were required, and the Order prohibited securities trading within the bank's investment portfolio. The bank was required to establish a segregated trading account and to develop a trading account policy before engaging in further securities trading activities. The Order required the board to establish an independent loan review system and to revise the bank's lending policies and credit administration procedures. The bank was also required to augment and maintain primary capital at a specified level and to maintain an adequate allowance for possible loan losses.

202 Bank with assets of $25 to $50 million

An examination revealed the bank was in substantial noncompliance with the Formal Agreement and disclosed [illegible] that was affecting other areas of the bank. Loan problems had resulted from poor lending practices, noncompliance with the Agreement, and lack of a competent lending staff. The bank had capitalized interest when loans were renewed and, thereby, had overstated earnings and understated delinquencies. There was no internal audit and the external auditor was not considered independent. The bank's allowance for possible loan losses was inadequate and significant credit information deficiencies were found.

An Order to Cease and Desist was stipulated to by the board. The Order prohibited additional extensions of credit to borrowers whose loans had been criticized and whose aggregate loans exceeded a specific dollar amount as long as the credits were criticized. A revised lending policy was required that specifically included, among other things, provisions governing the placement of loans on nonaccrual status and guidelines on accrual of interest. A loan review system and a management plan to correct deficiencies reflected in the report of examination were required. An independent audit of the bank and a written internal control and audit program were also required by the Order.

203. Bank with assets of $250 to $500 million

An examination disclosed a large volume of classified assets and documentation exceptions. Personnel turnover plagued the bank. Earnings were inadequate because of a provision to the allowance for possible loan losses required during the examination to bring the account to an adequate level. A significant number of violations of law, mainly in the municipal securities dealer area, were present.

A Memorandum of Understanding was entered into which required the bank to: (1) appoint a compliance committee; (2) take action concerning criticized assets and adopt a program to eliminate criticisms; (3) stop making loans to borrowers whose credits are criticized; (4) revise the lending policy to incorporate guidelines for oil and gas lending; (5) correct credit information deficiencies and extend no new loans without complete and satisfactory credit information; (6) review and maintain an adequate allowance for possible loan losses; (7) correct all violations of law, rule, and regulation; and (8) decide whether to continue operating as a municipal securities dealer and, if so, develop and implement a program to ensure operation in accordance with Municipal Securities Rulemaking Board rules and regulations.

204 Bank with assets of $50 to $100 million

Subject bank experienced asset deterioration as a result of deterioration in the local economy and, to a lesser degree, a breakdown in sound lending controls

Lending deficiencies included lack of a nonaccrual loan policy, lack of a formal problem loan function, an inadequate allowance for possible loan losses, and a need for greater controls over delinquencies and collection efforts. The poor health of the senior lending officer made the need for a replacement evident during the examination. Earnings were considered mediocre. In addition, several violations of law were noted in the commercial, consumer, and trust areas.

A Memorandum of Understanding was executed with the board which required immediate correction of the cited violations of law. Procedures were to be implemented to reduce the basis of criticism for all criticized assets of more than $50,000, and extend no further credit to criticized borrowers unless certain conditions were met. The Memorandum required the board to formalize its problem loan review function and to formally analyze the allowance for possible loan losses at least quarterly. Further, the board is to analyze the quality and quantity of staffing in the lending area at least annually, and to report monthly to the District Office on its efforts to employ a qualified senior lending officer. Policies were required to identify nonaccrual loans, reduce delinquencies, and strengthen collection efforts. The board was to direct management to analyze earnings and develop a profit program. Finally, the board was to notify the District Office in writing before paying cash dividends.

205. Bank with assets of $100 to $250 million

A series of events, including merger with an affiliated bank and large turnover in officer staff during the previous year, resulted in breakdowns in loan administration. That, combined with a recessionary economy, resulted in significant deterioration in the quality of the bank's loan portfolio.

A Memorandum of Understanding entered into with the bank required evaluation of the lending staff, elimination of the bases for criticized assets, and maintenance of satisfactory credit information on assets.

206. Bank with assets of $50 to $100 million

Subject bank was assigned to the Special Projects program because of a sharp increase in classified assets resulting from sloppy lending practices and lax board supervision. Specific criticisms were of liberal renewal policies, failure to enforce the repayment program, lending without obtaining or analyzing credit information, undue reliance on endorsers or guarantors, and failure to adhere to written lending policies for nonaccrual loans, reviewing the allowance for possible loan losses, and extending credit to insiders. Other nonlending criticisms related to the bank's lack of a formal funds management policy, lack of a full-time senior trust officer, and unacceptable internal audit function.

A Formal Agreement required the bank, through its board of directors, to: (1) correct all violations of law and adopt procedures to prevent their recurrence; (2) take formal action to protect the bank's interest with regard to criticized assets; (3) restrict lending to criticized borrowers unless the board certifies that such action is in the bank's best interest; (4) appoint a special board committee to analyze management and organization within the lending and trust functions; (5) reverse/charge-off all accrued interest not in conformance with the call report instructions, and develop formal procedures to identify and account for nonaccrual loans; (6) establish an internal loan review system; (7) review and document the adequacy of the allowance for possible loan losses at least quarterly; (8) obtain and analyze credit information on all loans cited in the report of examination; (9) restrict lending unless credit information is obtained and analyzed and collateral positions, if applicable, are perfected; (10) revise the bank's written loan policy; (11) strengthen the internal audit function; (12) adopt a formal funds management policy; (13) correct cited trust department deficiencies; and (14) document all transfers of estimated income tax liability to the bank's holding company.

207. Bank with assets of less than $25 million

Deterioration of asset quality, earnings, and capital adequacy were the primary problems facing the bank. Criticized assets had increased because of poor economic conditions in the bank's trade area. Inadequate supervision of some lending functions was a contributing factor. Earnings were poor because of a lack of established funds management policies and procedures. That had resulted in significant interest rate sensitivity mismatches and declining net interest margins. Although capital remained above minimum guidelines, the bank's earnings performance, coupled with a liberal dividend policy, had significantly eroded the capital base.

A Formal Agreement was executed which required the bank to: (1) develop a program to eliminate criticized assets; (2) establish a loan review system; (3) obtain and analyze adequate credit information; (4) review and maintain an adequate allowance for possible loan losses; (5) implement written funds management policies; (6) develop a program to improve earnings; (7) develop a 3-year capital plan; (8) notify the Comptroller's Office before paying proposed dividends; and (9) perform an analysis of management needs. The board was also required to submit monthly reports on actions taken to comply with the Agreement.

208. Bank with assets of less than $25 million

A general examination of the bank revealed three violations of 12 USC 84. Loan administration was found to be very weak. Loan documentation was poor, and many key documents were missing. Internal controls in all areas were unsatisfactory as was overall board supervision.

A Formal Agreement was entered into with the bank which required elimination of criticized assets and rehabilitation of lending practices, an independent review of the cause and effect of the missing documentation, and correction of all violations of law.

209. Bank with assets of $100 to $250 million

The bank had previously operated in a satisfactory condition but the most recent examination revealed substantial deterioration in the lending function. Classified assets had increased, loan supervision was poor, and nonaccrual and overdue loans were increasing.

A Memorandum of Understanding was entered into whereby the bank agreed to protect its criticized assets, work towards eliminating the basis of criticism, review the status of criticized assets monthly, and restrict lending to criticized borrowers. The bank also agreed to revise and implement its problem loan identification system, revise its lending policy, conduct a management study, and implement a management program based on the needs revealed by the study. In addition, the bank promised to correct its regulatory violations, improve its collection efforts, and submit quarterly progress reports to the Deputy Comptroller.

210. Bank with assets of $100 to $250 million

The bank's condition had deteriorated significantly since the last examination, with classified assets increasing dramatically. The loan policy was insufficient, the loan administration was inadequate, and the problem loan identification system was ineffective. In addition, investments subject to criticism equalled 33 percent of gross capital funds, with risky municipal warrants comprising 78 percent of the criticized investments. The asset and liability management policies were inadequate, as were the bank's internal controls. Although the bank's senior management was experienced and had proven capable in the past, it had not effectively dealt with the bank's current problems.

A Formal Agreement required the bank to protect its criticized assets, develop a program to reduce criticized assets, and stop lending to criticized borrowers.

The bank agreed to review and revise its written lending policy, its internal loan review system, its investment policy, and its written funds management policy. The bank also agreed to correct credit information deficiencies and perform a written analysis of the bank's management personnel. The bank was to hire a qualified accounting firm to verify the accuracy of the bank's entries and accounts and to make nonconforming bookkeeping practices consistent with generally accepted accounting principles. The bank also agreed to develop an internal audit program, correct violations of consumer law, create and implement a consumer compliance program, and make monthly progress reports to the Deputy Comptroller.

211. Bank with assets of $25 to $50 million

Although the bank had been operating under a Formal Agreement, an examination revealed that the bank had not complied with the document and that its condition had continued to deteriorate. The bank continued to lose money, and classified assets had risen substantially in the 4 months since the previous two examinations. Bank management, previously a problem area, showed promise of improvement with the departure of the previous president and the arrival of a new chief executive officer. Capital continued to be excessively low, overdue loans were high, and loan losses were excessive. The condition of the bank, coupled with the depressed local economy, necessitated an Order to Cease and Desist.

An Order to Cease and Desist stipulated to by the bank required the bank to achieve a primary capital equal to at least 7 percent of total assets. Other requirements included a capital plan, dividend restrictions, a profit plan, a management study by outside directors, and correction of the violations of law, rule, and regulation. The bank also consented to protect its criticized assets, develop a program to remove the basis of criticism of those assets, restrict lending to criticized borrowers, and review monthly the bank's progress in dealing with criticized assets. Additional provisions in the Order require the review and necessary revision of the bank's lending policies, the creation of a loan review system, and the maintenance and review of an adequate allowance for possible loan losses. The bank agreed to correct credit information deficiencies and collateral exceptions, improve its collection efforts, implement a funds management policy, improve internal controls, appoint an individual to implement the internal audit program, and submit regular progress reports to the District Administrator.

212. Bank with assets of $50 to $100 million

Poor assets constituted the bank's most serious problem as classified assets rose dramatically between

examinations. Loan losses were extremely high during the last year, as were loan delinquencies. Collateral documentation deficiencies were also excessive. The bank's problems had been compounded by recent turnovers among senior management and the actions of a domineering director/principal shareholder.

An Order to Cease and Desist, stipulated to by the bank, required the bank to appoint a compliance committee to monitor compliance with the Order. The compliance committee is to conduct a management study and to specifically address whether or not individual members of the board exert undue influence over the operation of the bank. The problem of criticized assets was addressed by requiring action to protect and reduce criticized assets, perform monthly reviews, and curtail lending to criticized borrowers. The bank agreed to correct credit information deficiencies and collateral exceptions, strengthen collection efforts, and comply with its written lending policy. Maintenance of an adequate allowance for possible loan losses and monthly reviews of the allowance, a written liquidity, asset and liability management policy, yearly budgets, and a 3-year capital plan were also required. Finally, the bank agreed to correct all violations of law and to send monthly progress reports to the Deputy Comptroller.

213. Bank with assets of $25 to $50 million

For several months the bank had been in noncompliance with a Memorandum of Understanding and its condition had continued to deteriorate. Liberal lending practices were the major problem, with classified assets increasing almost threefold between examinations. Loan losses were high and capital was down. Because the allowance for possible loan losses was inadequate, transfers were required which left the bank in a net loss position for the year. In addition, bank management was weak and ineffective. After the examination, the bank was sold to an experienced, competent banker who brought in new management. That development led OCC to decide that an Agreement would be appropriate, rather than an Order to Cease and Desist.

A Formal Agreement addressed the bank's excessive criticized assets by requiring the bank to protect the assets, work towards eliminating the bases of criticism, conduct a monthly review of the status of the criticized assets, and curtail its lending to criticized borrowers. In the Agreement, the bank also agreed to ensure compliance with the lending policy, review its internal loan review system, and maintain an adequate allowance for possible loan losses. The bank further agreed to achieve and maintain primary capital equal to 7 percent of total assets and develop a capital plan to ensure that level is maintained. An earnings program, annual budgets, the correction and prevention of lending violations, and monthly progress reports to the Deputy Comptroller were the remaining topics addressed by the Agreement.

214. Bank with assets of $100 to $250 million

The bank experienced severe losses and rapid deterioration under new ownership, primarily as a result of inadequate board supervision, uncontrolled loan growth, and an aggressive tax planning/investment strategy utilizing stripped bonds and coupons. Substantial trading and financial futures activity with improper accounting or internal controls was revealed during the examination and the internal audit, particularly in the investments area, was inadequate. Classified assets increased substantially and numerous credit and collateral documentation deficiencies existed. Heavy loan losses, the reversal of a "deferred income tax benefit," and high dividend payments rendered capital inadequate. The allowance for possible loan losses was also inadequate and required a special provision. Violations of 12 USC 84, 371c, and 375b and 12 CFR 215.4 were cited. One of the 12 USC 84 violations was insider-related. The appropriateness of fees to an insider's consulting firm was questioned because documentation did not support and justify the payments.

An Order to Cease and Desist, stipulated to by the board of directors of the bank, required immediate action to correct violations of law and required members of the board to personally reimburse the bank for all income lost as a result of the bank's extensions of credit to its holding company at below-market interest rates to the extent that the bank had not obtained full reimbursement of principal and interest from the holding company. The bank was prohibited from capitalizing "deferred income tax benefit" that would not be realized during the calendar year and that was not supported by written documentation and justification. The Order required the bank to refile and republish call reports for particular years. The bank was required to achieve a certain level of tangible primary capital to total assets. Dividends were prohibited without prior written approval of the Comptroller's Office. The Order required implementation of an independent loan review program and a program to strengthen collection efforts. Revised lending and investment policies were also required. The Order required an evaluation of bank management and staffing, including recommendations to improve the quality of information provided to the board. The bank was required to establish a segregated trading account and a comprehensive written policy before engaging in securities trading activities. Before en-

ging of the use of futures, forwards, or standby contracts, the bank was to implement certain written policies and internal controls. The board was required to provide certain written disclosures to all public depositors of the bank with deposits secured by stripped coupons or mutilated securities.

215. Bank with $50 to $100 million

Subject bank was created as the result of the merger of a state and national bank. The surviving state bank applied for a national charter. Because of the bank's weak condition, the national charter was approved under the condition that the new bank enter into a Formal Agreement with the Office of the Comptroller of Currency. Because the state bank had experienced poor earnings, heavy loan losses, and inadequate capital, the condition of the new, post-merger bank was unsatisfactory.

A Formal Agreement required the bank to correct all violations of law, conduct a management study, develop a program responsive to the results of the study, revise the bank's lending policy, establish a loan review system to identify problem credits, and devise and implement a program to improve the loan administration. The bank also agreed to take various actions to protect its criticized assets, eliminate the grounds for criticism, and limit extensions of credit to criticized borrowers. Other provisions in the Agreement require the maintenance of an adequate allowance for possible loan losses, regular review of the allowance, and the development of a written funds management policy, an earnings program, a 3-year capital program, and a long-range strategic plan. The bank will also revise its investment policy, develop a written audit program and provide for an independent internal auditor, establish a program to improve internal controls, and implement a consumer compliance program.

216. Bank with assets of less than $25 million

An examination disclosed the unsatisfactory condition of the bank. Excessive classified assets, low earnings, and ineffective funds management procedures were the bank's major problems. Inadequate board supervision and poor management contributed to the bank's poor condition. Capital was adequate.

An Order to Cease and Desist, stipulated to by the board, required the bank to: (1) conduct a study of the bank's management; (2) appoint or employ a capable senior lending officer; (3) modify its operating procedures [illegible] adequate [illegible] reports from management to the board; (4) review and revise the bank's written lending policy; (5) [illegible] allowance [illegible] implement a written program [illegible] to [illegible] criticized asset from that status and extend no credit to any borrower whose aggregate criticized loans exceed $30,000; (6) establish a loan review system; (7) obtain current and satisfactory credit information, and extend credit only after doing so and taking steps to perfect collateral, where applicable; (8) implement a written collection program; (9) adopt and implement written policies and procedures governing the supervision of nonaccrual loans; (10) review the adequacy of the bank's allowance for possible loan losses and establish a program to maintain an adequate allowance; (11) develop a profit plan to improve and sustain the bank's earnings; (12) develop and submit an analysis of the bank's present and future capital needs and a written 3-year capital program; (13) formulate and submit a written funds management policy; (14) correct each violation of law, rule, or regulation, and adopt procedures to prevent similar violations; (15) develop and implement a written consumer compliance program; and (16) submit monthly written reports detailing actions taken to comply with each provision of the Order and the results of those actions.

217. Bank with assets of $100 to $250 million

An examination disclosed the unsatisfactory condition of the bank. A large volume of criticized assets, poor earnings, and inadequate capital were the bank's major problems. Preferential insider loans were cited. The number of nonaccrual loans and the amount of other real estate owned had increased.

A Formal Agreement executed with the board required the bank to: (1) develop and implement a written program designed to remove each criticized asset of more than $100,000 from that status; (2) establish a loan review system; (3) review the adequacy of the allowance for possible loan losses, and maintain an adequate allowance; (4) review and expand the bank's written loan policy; (5) achieve and maintain primary capital at a required level and adopt and implement a capital plan; (6) correct all violations of law, rule, and regulation, and prevent the recurrence of violations; (7) ensure that all amounts due to the bank arising out of past preferential treatment of bank insiders are collected by the bank; and (8) submit written reports detailing actions taken by the bank to comply with the Agreement and the results of those actions.

218. Bank with assets of $100 to $250 million

An examination identified asset quality and funds management as the principal problem areas in the bank. Primary capital was below required levels and the bank had negative earnings. The bank had experienced substantial loan losses. Problems were attributed to weak management and liberal policies.

A Formal Agreement required the bank to: (1) appoint a compliance committee to ensure adherence; (2) correct all violations of law, and implement procedures to prevent future violations; (3) complete a study of current management and staffing needs and implement a management plan to correct identified management deficiencies; (4) make, renew, or extend a loan or extension of credit only in conformity with the bank's loan policies and procedures or in compliance with written provision for exceptions; (5) develop and implement a written program designed to remove each criticized asset from that status; (6) extend no additional credit to a borrower whose extension of credit of more than $50,000 has been criticized, in whole or in part, as long as the credit remains criticized; (7) obtain and maintain current and satisfactory credit and collateral documentation and advance or obligate additional funds or renew or modify credit only after doing so and ensuring perfection of collateral, where applicable; (8) adopt and implement new written policies and procedures governing the supervision and control of delinquent and nonaccrual loans; (9) formulate and implement an independent internal loan review program; (10) review the adequacy of the bank's allowance for possible loan losses and establish a program to maintain an adequate allowance; (11) adopt and implement a written policy, to identify and dispose of the bank's holdings in other real estate owned; (12) review and revise the bank's funds management policy; (13) achieve and maintain an appropriate primary capital to total assets ratio and adopt and implement a new capital plan; (14) declare or pay dividends only in conformity with statutory and regulatory restrictions and sound banking practices; and (15) develop and implement a written plan to improve and sustain the bank's earnings.

219. Bank with assets of less than $25 million

An examination disclosed that the bank's condition was unsatisfactory. Increased classified assets, a large amount of delinquent loans, and numerous credit exceptions were major problems in the bank. Numerous violations of law were cited, including several lending limit violations.

An Order to Cease and Desist, stipulated to by the board of directors, required the bank to: (1) appoint a compliance committee to ensure adherence to the Order; (2) review management and staffing needs of the bank with a special focus on the lending areas; (3) correct all violations of law, including violations of 12 USC 84, and implement procedures to prevent future violations; (4) develop and implement a written program designed to remove each criticized asset from that status; (5) maintain primary capital and develop a 3-year capital program, (6) develop a profit plan to improve and sustain earnings; (7) review and revise the bank's written loan policy, (8) adopt a written program to improve collection efforts, (9) obtain current credit information and stop making loans without such information; (10) make, renew, or extend loans only in conformity with the bank's loan policies and procedures or in compliance with written provisions for exceptions; (11) establish an internal loan review system; and (12) adopt a written policy for maintaining an adequate allowance for possible loan losses

220. Bank with assets of $25 to $50 million

An examination disclosed that the bank's condition was unsatisfactory. An excessive volume of classified assets and large loan losses had adversely affected earnings and capital. Funds management procedures were ineffective.

An Order to Cease and Desist executed with the board of directors required the bank to: (1) conduct a management study and develop a management plan to correct deficiencies; (2) develop and implement a written program designed to remove each criticized asset from that status; (3) increase primary capital and adopt and implement a new written capital plan; (4) restrict dividend payments; (5) develop a profit plan; (6) review and amend, as appropriate, written lending policies and procedures; (7) obtain current credit information and stop making loans without such information; (8) obtain collateral documentation; (9) improve collection efforts; (10) adopt and implement policies and procedures concerning the supervision and control of nonaccrual loans; (11) review and maintain an adequate allowance for possible loan losses; (12) correct each violation of law; (13) develop a policy governing other real estate owned, (14) improve internal controls; (15) develop and implement a written audit program; (16) develop and implement a consumer compliance program; and (17) submit reports detailing compliance with the Order

221. Bank with assets of $250 to $500 million

The bank had been operating under a Formal Agreement. A general examination revealed that the bank was complying with all the provisions of the Agreement except those covering asset quality and capital. The president had attempted to negotiate the sale of the bank without informing the board of directors, despite the fact that he had been directed to raise capital in accordance with the bank's capital plan. His subsequent dismissal and turnover in the lending area had created unsteadiness in management. High nonperforming assets had drastically reduced earnings. Asset growth remained strong, however.

A revised Formal Agreement required the board to study management and prepare a written staffing plan

formalizing the organizational structure and establishing written job descriptions for all executive officers. The revised Formal Agreement required the bank to attain a primary capital equal to 7 percent of total assets within a year. The bank agreed to implement a written program to eliminate the basis for criticism of criticized assets. The bank also agreed to review and revise its internal loan review function so that problem loans could be more appropriately identified and categorized.

222. Bank with assets of $25 to $50 million

When the Comptroller learned of the bank's purchase of large volumes of brokered deposits and subsequent imprudent investments, a Temporary Order to Cease and Desist was served to prohibit the continuation of those practices. A subsequent specialized examination revealed the bank's deteriorated condition, with substantial increases in criticized and nonearning assets and management and staffing problems.

An Order to Cease and Desist reiterated the Temporary Order's prohibition on the purchase of brokered deposits without prior approval by the Comptroller, and required the bank to (1) assess the effectiveness of management and the board of directors, (2) revise funds management and investment policies, (3) appoint lending compliance officers, (4) protect the bank's interest in criticized assets, (5) establish a loan review system, (6) develop policies to manage other real estate owned, (7) establish a policy on purchasing loan participations, (8) review the allowance for possible loan losses, (9) develop capital and strategic plans, and (10) correct electronic data processing deficiencies.

223. Bank with assets of $25 to $50 million

The bank was the victim of a check kite which threatened its solvency.

A Temporary Order to Cease and Desist required a plan designed to keep the bank solvent, enhance capital, handle advances made against uncollected funds, and resolve 12 USC 84 violations.

224. Bank with assets of less than $25 million

An examination revealed significant deterioration as a result of excessive criticized assets, purchases of [illegible] participations, and capital erosion.

A Temporary Order to Cease and Desist addressed [illegible] assets, and 12 [illegible]

225. Bank with assets of $25 to $50 million

Examination revealed an inordinate level of classified assets, heavy loan losses which made capital inadequate, several violations of 12 USC 84, and numerous documentation and credit exceptions. Board supervision was weak and the bank's lending area lacked sufficient controls, review procedures, and policies. A major supervisory concern was the excessive level of standby letters of credit granted by senior management since the last examination. Several of those letters of credit represented concentrations of credit and were cited as violations of 12 USC 84. The resignations of three senior officers during the examination left the lending area understaffed. Finally, payments by the bank to a director pursuant to a "consultant agreement" were questioned because of lack of justification and documentation. Four members of the board of directors and the executive management team resigned during the examination or soon afterwards. The board hired a new chief executive officer/president and provided a $3MM capital injection to alleviate the shortfall.

An Order to Cease and Desist, consented to by the board, required development of a capital plan and prior notice of intent to declare dividends. The Order required the bank to take immediate action to correct the violations of 12 USC 84 and to establish written procedures to prevent future violations. An analysis of the bank's exposure with respect to outstanding contingent liabilities and proposals to alleviate any adverse impact on the bank's liquidity were required. The board was also required to establish procedures to identify and control concentrations of credit in the loan portfolio. A loan review system and written programs to reduce criticized assets and to improve collection efforts were required. The bank was prohibited from paying any consultant fees or other compensation to any officer or director unless they were reasonable, necessary, related to the value of goods or services received, and documented. In addition, the bank was to review fees paid during a specified timeframe and to make a report containing findings including recommendations with respect to reimbursement.

A Civil Money Penalty referral was made and pursued with respect to violations of 12 USC 84.

226. Bank with assets of $50 to $100 million

An examination revealed that the overall condition of the bank had deteriorated rapidly. Several criticized assets arose from large venture capital and out-of-territory loans that lacked identifiable sources of repayment. The level and severity of classified assets had adversely affected earnings. Credit information

deficiencies and collateral documentation exceptions were extremely high. Five violations of 12 USC 84 were discovered during the examination.

An Order to Cease and Desist, consented to by the board, required the bank to take immediate action to correct violations of 12 USC 84 and to establish procedures to prevent future violations. The Order required the board to conduct a management study and implement a plan to correct any deficiencies in management and staffing. A revised lending policy and a program to improve the bank's collection efforts were required. The board was to develop a capital plan and was prohibited from paying dividends without prior written approval of the Deputy Comptroller. Action to eliminate credit and collateral exceptions was required, as was the establishment of a loan review system.

227. Bank with assets of $25 to $50 million

Poor management and noncompliance with a Formal Agreement were the primary problems in this bank. Lending limit violations were persistent, primarily because of the bank's president. Loan administration was weak and the board provided little independent oversight. Classified assets had reached 211 percent of gross capital funds and past-due loans had risen to 20 percent of gross loans.

An Order to Cease and Desist, to which the bank stipulated, required the bank to: (1) correct all violations of law; (2) conduct a study of management; (3) develop and implement a management plan; (4) improve collection efforts; (5) identify and control concentrations of credit; (6) adhere to its lending policy; (7) establish a loan review system; (8) implement a program to eliminate criticized assets; (9) stop making loans to borrowers whose credits are criticized; (10) not renew, recast, or extend loans upon which accrued interest is due; (11) review and maintain an adequate allowance for possible loan losses; (12) revise its liquidity, asset and liability management policy; (13) prepare an analysis of capital needs and formulate a 2-year financial plan; and (14) develop and implement a written earnings plan.

228. Bank with assets of less than $25 million

The bank had been operating under an Order to Cease and Desist since 1978. Although certain asset and credit problems remained, the bank had achieved full compliance with the Order and had eliminated the unsafe and unsound banking practices which had led to the issuance of the Order.

A Formal Agreement designed to address the bank's continuing problems was issued upon termination of the Order to Cease and Desist. The Agreement ordered the board to adopt and implement a program for eliminating grounds upon which each asset had been criticized. It prohibited the bank from extending additional credit to any borrower whose loan had been criticized unless doing so was in the best interests of the bank. The Agreement directed the bank to take immediate steps to obtain current and satisfactory credit information. Further, the bank was directed not to renew, recast, or extend loans upon which accrued interest was due and payable, unless in the best interests of the bank. The board was to review and expand, if necessary, the bank's written insider lending policies and procedures. The board was required to review the adequacy of the allowance for possible loan losses at least once each calendar quarter and to restore it to an adequate level in the quarter any deficiency was discovered. The bank was directed not to pay dividends until certain conditions were met. Further, the board was directed to review, at least annually, all policies and procedures to ensure they were being complied with and were in the best interests of the bank. Finally, the board was to submit written monthly reports to the Deputy Comptroller, detailing action taken to correct deficiencies cited in the Report of Examination.

229. Bank with assets of $25 to $50 million

An examination of the bank disclosed serious asset deterioration. Classified assets had increased dramatically because of a depressed agricultural economy, poor management practices, and a lack of supervision by the board of directors. Overdue and nonaccrual loans and credit exceptions were high, and deficiencies were noted in controls over letters of credit. Loan administration was weak and the bank did not have a formalized internal loan review program. The extent and severity of the classified loans had made the allowance for possible loan losses inadequate. Earnings had deteriorated as the result of inadequate funds management, large provisions to the allowance for possible loan losses, high overhead, and the high volume of non-performing assets. Primary capital equalled 13.3 percent of total assets but was threatened by the asset problems. The bank's compliance with consumer laws and regulations was inadequate and the bank was cited for weak internal controls and lack of an adequate internal audit function. Violations of 12 USC 29, 12 CFR 7.3025 and 7.7016, and 31 CFR 103.33 were cited. In addition, the consumer report cited violations of 12 CFR 202.7 and 226.18.

A Formal Agreement was executed by the board which required the board to take immediate steps to correct each violation of law, rule, or regulation cited, and adopt procedures to prevent recurrence. The

board was also directed to review and revise the bank's lending policy. Also, the board was to take immediate action to protect the bank's interests with regard to criticized assets and to adopt a written program to eliminate the bases for criticism. The bank was directed not to extend credit, directly or indirectly, to any borrower whose aggregate line exceeded $75,000 unless in the best interest of the bank. The board was ordered to adopt and implement policies and procedures governing nonaccrual loans and establish a written program to improve loan administration. Immediate steps were to be taken to obtain current and satisfactory credit information and to correct each collateral exception. The board was directed to establish a loan review system to periodically review the bank's loan portfolio. The bank's allowance for possible loan losses was to be reviewed for adequacy at least quarterly with a program established to maintain its adequacy. A written funds management policy was submitted to the Deputy Comptroller. The board was required to prepare a detailed written program to improve and sustain earnings and was to develop a 3-year business plan. Further, the board was directed to develop and adopt a program to ensure compliance with all applicable consumer protection laws. A review and revision or expansion of the bank's internal control internal audit program was directed, along with correction of present deficiencies. Finally, the board was to cause the bank to submit written monthly reports to the Deputy Comptroller detailing actions taken to correct deficiencies cited in the Examination Report.

230. Bank with assets of $25 to $50 million

A formal enforcement action was recommended because of significant deterioration in loan portfolio management, particularly regarding commercial loans. A lending philosophy which emphasized collateral rather than repayment capacity, coupled with a depressed real estate market and local economy exposed numerous poorly structured credits. Additional criticisms included an inadequate problem loan review system, an inadequate allowance for possible loan losses, a liberal extension renewal policy, lack of a nonaccrual policy, and an inordinate level of credit exceptions. In addition, two violations of law were noted.

A Formal Agreement was executed with the board which required: (1) immediate correction of cited violations of law; (2) individual programs to eliminate the [illegible] for each criticized asset of more than [illegible] [illegible]. Extensions of credit to [illegible] [illegible] certain conditions were [illegible] (3) review and revision of the bank's [illegible] [illegible] and analysis of existing management of the bank's lending function, (6) implementation of a formal problem loan identification system, (7) procedures for ensuring the ongoing adequacy of the allowance for possible loan losses, (8) correction of cited credit file exceptions, and prohibitions on further lending without obtaining and analyzing credit information, (9) review the bank's procedures for control and collection of delinquent loans; (10) analysis of the bank's continuing capital needs; and (11) notification of the District Office before paying any dividends.

231. Bank with assets of $100 to $250 million

The bank had serious asset quality problems with a large volume of classified assets. Liberal lending practices and ineffective policy had exacerbated the effect of poor local economic conditions on the loan portfolio. Losses made a special provision for loan losses necessary, and that reduced capital to 6.62 percent of total assets. Supervision was inadequate, especially in budgeting and capital planning. Internal audit coverage and internal controls were inadequate. Numerous violations of law were cited.

A Formal Agreement required the bank to: (1) establish a compliance committee; (2) implement a program for criticized assets; (3) revise the bank's internal loan review, (4) revise the bank's lending policy; (5) review the adequacy of the bank's allowance for possible loan losses; (6) adopt and implement a strategic plan; (7) develop a profit plan; (8) refrain from declaring dividends, except with 30 days prior written notification to the Deputy Comptroller; (9) revise the bank's investment policy; (10) develop a written audit program; (11) correct deficiencies in the bank's electronic data processing operations; (12) correct internal control deficiencies; and (13) correct violations of law.

232. Bank with assets of $100 to $250 million

Problems in the bank were centered in the loan portfolio, as reflected by a large volume of classified assets. Inadequate supervision, understaffing, and sustained loan expansion during a period of local economic decline were factors. Loan documentation was inadequate and renewal practices were liberal. Increased loan loss provisions had significantly decreased earnings. Nonetheless, capital stood at 11.3 percent of total assets after losses. Liquidity sources were adequate, and there was only minimal reliance on out-of-area funds.

A Formal Agreement was issued concentrating on the need for improvement in the bank's loan administration. The bank is required to make monthly progress reports.

233. Bank with assets of $50 to $100 million

The bank was operating under a Formal Agreement addressing lending staff weaknesses, violations of law, poor asset quality, and the allowance for possible loan losses, among other subjects. The Agreement had not been completely effective. An examination indicated a lack of success in overcoming problems in the lending functions. Criticized assets were extremely high and delinquencies, nonaccruals, and credit data exceptions were all at unacceptable levels. The allowance for possible loan losses was still inadequate and required an additional provision. The abnormal provisions for losses over the past several years and the increasing nonearning assets had resulted in operating losses and an erosion of capital.

An Order to Cease and Desist, to which the bank stipulated, required the bank to: (1) achieve and maintain primary capital equal to at least 7 percent of total assets; (2) develop a capital program; (3) restrict payment of dividends; (4) prepare a business plan; (5) correct violations of 12 USC 84; (6) correct all other violations of law; (7) develop a program to eliminate grounds for criticism of assets and cease making loans to borrowers whose credits are criticized; (8) revise funds management policies to cover liquidity and bank borrowings; (9) conduct a management study; (10) review and amend lending policies to address charge-offs; (11) review and maintain an adequate allowance for possible loan losses; (12) implement an internal loan review system; (13) correct all credit and collateral information deficiencies; (14) adhere to its program to improve collection efforts; and (15) comply with its policy on nonaccrual loans.

234. Bank with assets of $25 to $50 million

The bank president's loan forgeries, excessive criticized assets, and poor loan participation practices placed the bank in distressed financial condition.

A Temporary Order to Cease and Desist was issued which addressed capital, loan participations, criticized assets, 12 USC 84 violations, liquidity, and letters of credit. A Notice of Suspension and a Notice of Intention to Remove from Office were also issued against the bank's president.

235. Bank with assets of more than $1 billion

An application to convert the bank to national charter was filed by the holding company and the conversion examination revealed a high level of classified assets, poor earnings, and management problems in the commercial real estate loan department. No other significant problems were identified. Primary capital was considered strong and the allowance for possible loan losses was adequate. Earnings were expected to improve as a result of more normal loan loss provisions, reduced funding costs and reduced overhead costs.

A Conditional Conversion Approval Letter required an assessment of the status of each criticized asset and proposed action to eliminate the bases of criticism. The board was to review the bank's credit administration procedures, with particular attention to commercial real estate, and to implement a program to eliminate deficiencies in credit administration, staffing, and management. An analysis of the bank's earnings capacity was also a condition of the approval.

236. Bank with assets of $25 to $50 million

An examination disclosed that the bank's condition was unsatisfactory. Classified assets, reduced earnings, and inadequate secondary liquidity were the bank's major problems.

An Order to Cease and Desist executed with the board of directors, required the bank to: (1) appoint a compliance committee to monitor adherence to the provisions of the Order; (2) correct violations of 12 USC 84, and implement procedures to prevent future violations; (3) correct all other violations of law, and notify the Deputy Comptroller of the manner of correction and the procedures adopted to prevent similar violations; (4) conduct a management study and develop a management plan to correct deficiencies; (5) develop and implement a written program designed to remove each criticized asset from that status; (6) retain the loan to deposit ratio established in the bank's written loan policy, and institute procedures to ensure full compliance with the policy; (7) obtain current credit information and stop making loans without obtaining such information; (8) obtain collateral documentation; (9) review and maintain an adequate allowance for possible loan losses; (10) adopt and implement written policies and procedures governing the supervision and control of nonaccrual loans; (11) establish procedures to ensure adherence to the written liquidity, asset and liability management policy, and review the bank's liquidity on a monthly basis, and (12) adopt and implement a strategic plan for the bank.

237. Bank with assets of $100 to $250 million

An examination revealed that the bank's condition was unsatisfactory. Poor asset quality and reduced earnings were the primary problems.

A Memorandum of Understanding executed with the board of directors required the bank to develop and implement a written program designed to remove

[illegible] asset from that status; (2) develop a profit plan; (3) adopt and implement a new written [illegible] program; (4) develop a policy governing other real estate owned; (5) correct each violation of law; and (6) submit monthly progress reports detailing compliance with the Memorandum of Understanding.

238. Bank with assets of $25 to $50 million

An examination disclosed the unsatisfactory condition of the bank. Poor asset quality, rapid uncontrolled growth, and inadequate capital were the bank's major problems. Funds management practices also required attention.

A Formal Agreement executed with the board of directors of the bank required the bank to: (1) appoint a compliance committee to monitor the bank's adherence to the provisions of the Agreement; (2) correct all violations of 12 USC 84 and implement procedures to prevent future violations of that statute; (3) correct all other violations of law and notify the Deputy Comptroller of the date and manner of correction and of procedures to prevent similar violations; (4) develop and implement a written program designed to remove each criticized asset from that status; (5) obtain current credit information and stop making loans without such information; (6) obtain collateral documentation; (7) implement a written program designed to improve and strengthen collection efforts; (8) establish a loan review system to identify and categorize problem credits; (9) review and maintain an adequate allowance for possible loan losses; (10) adopt and implement a strategic plan; (11) achieve and maintain a required primary capital to total assets ratio; (12) develop a budget for the coming fiscal year and each succeeding year and submit them to the Deputy Comptroller; (13) provide the Deputy Comptroller with quarterly performance data; (14) revise the bank's written liquidity, asset and liability management policy to conform to certain guidelines; (15) develop and implement an internal audit program; and (16) correct the violations of the Equal Credit Opportunity and Fair Credit Reporting Acts.

239. Bank with assets of $50 to $100 million

The examination disclosed that the bank's condition had deteriorated. It had substantial classified assets and loan losses. The decline in asset quality was attributed to weak loan administration, depressed prices for agricultural products, and local area unemployment. Earnings and capital were also adversely [illegible].

A Formal Agreement required the bank to: (1) develop a written program designed to remove each criticized asset from that status; (2) [illegible] report

on loans criticized in the report of examination; (3) develop an acceptable system to ensure that adequate credit information is obtained and analyzed on all borrowers; (4) immediately restore and maintain the allowance for possible loan losses to an acceptable level; (5) prepare a financial plan to reverse negative earnings trend; (6) restore primary capital to an acceptable level and develop a capital plan; (7) restrict dividend payments; (8) review the bank's management needs; and (9) submit monthly compliance reports.

240. Bank with assets of $100 to $250 million

A recent examination revealed that classified assets had doubled since the previous examination and that past-due and nonaccrual loans had tripled. The allowance for possible loan losses was deemed inadequate and the bank needed to strengthen its credit standards, to engage in capital planning, and to focus on the need to improve earnings.

A Formal Agreement required the bank to establish a written program to eliminate the basis for criticism of the assets criticized in the report of examination. The board of directors was to review the adequacy of the bank's internal loan review system. The bank agreed to implement a written program to strengthen collection efforts. The allowance for possible loan losses was to be reviewed periodically and an appropriate amount added when a deficiency was discovered. The board was to develop a policy for handling other real estate owned in conformance with 12 USC 29 and 12 CFR 7.3025. The board agreed to develop a 3-year capital program and business plan.

241. Bank with assets of less than $25 million

The bank was operating under an Order to Cease and Desist. A recent examination disclosed that the bank had accumulated an undue concentration of out-of-area retail installment sales contracts for boats and had made a large investment in an out-of-state savings and loan association based on only sketchy information.

An Amended Notice of Charges in the matter charged the new activities as unsafe and unsound practices and an Amended Order to Cease and Desist required the bank to implement written policies to eliminate and prevent undue concentrations in the loan portfolio and in other assets, including deposits in other institutions.

242. Bank with assets of $100 to $250 million

A recent examination revealed that the bank's classified assets were excessively high. The written lending policy was not current and did not include measures

to correct the deficiencies in the lending procedures. The bank had no loan review system and no means for management and staff to evaluate adherence to the lending policies. Policies on direct lease financing activities were not adequate.

A Memorandum of Understanding required the bank to establish a program to eliminate the bases for criticism of criticized assets at least quarterly. The bank's lending policy was to be reviewed and revised and a loan review system established. The board of directors or a committee was to periodically evaluate adherence to the lending policy and to review the bank's direct leasing activities to determine if they should be undertaken and, if so, to develop a comprehensive written program covering such activities.

243. Bank with assets of $25 to $50 million

Subject bank was assigned to the Special Projects program because of a sharp increase in classified assets brought about by ineffective supervision by the board and inadequate administration by management during a period of adverse economic and weather conditions affecting area farmers. The lack of proper supervision led to large loan losses. Delinquencies, nonaccrual loans, and credit file exceptions were all unacceptable. The lending policy was inadequate and possible staffing deficiencies existed. The board was dominated by family members of the controlling owner. A violation of 12 USC 84 regarding a high risk borrower resulted in substantial loss to the bank. Other areas criticized included criticized participations with affiliated banks, unacceptable internal audit procedures, and lack of an effective consumer compliance program and officer.

A Formal Agreement required the bank, through its board of directors to: (1) correct the violation of 12 USC 84, adopt procedures to prevent recurrence, and reimburse the bank for losses sustained; (2) correct all other violations of law and adopt procedures to prevent recurrence; (3) appoint two additional independent directors; (4) conduct a study of current management in the lending area; (5) review and revise the written lending policy; (6) establish a loan review system; (7) review the adequacy of the allowance for possible loan losses at least quarterly; (8) take formal action to protect the bank's interest with regard to criticized assets; (9) restrict lending to criticized borrowers unless the board certifies that it is in the bank's best interest; (10) implement a written program designed to improve and strengthen collection efforts; (11) obtain and analyze credit information on all loans cited in the report of examination as lacking such information; (12) make no loans unless credit information is obtained and analyzed; (13) reverse or charge-off all accrued interest not in conformance with the call report instructions and develop formal procedures to identify and account for nonaccrual loans; (14) strengthen credit standards and analysis regarding loan participations purchased; (15) implement policies and procedures to identify, control and monitor concentrations of credit; (16) develop and implement a consumer compliance program; and (17) strengthen the internal audit function.

244. Bank with assets of more than $1 billion

The examination disclosed marked deterioration in the quality and administration of the loan portfolio. Criticized assets, credit and collateral documentation exceptions, and loan delinquencies were all high. The bank's internal loan review had not identified the problem assets and the allowance for possible loan losses was not adequate. The bank also had an unwarranted concentration in energy-related loans.

A Formal Agreement required a written program to eliminate criticized assets and current and satisfactory credit information on all loans. The purchase of loan participations was prohibited unless the bank first received and analyzed adequate credit information. An improved internal loan review system with reports to the board of directors was to be implemented. A quarterly program for reviewing the allowance for possible loan losses was to be established, the lending policy was to be revised, and the bank was to take action to monitor and address concentrations of credit.

245. Bank with assets of $100 to $250 million

An examination identified a high volume of criticized assets, 30 percent of which were the result of participations purchased from other banks. The bank was operating without a written lending policy, and management of the loan portfolio, including internal problem loan identification, needed improvement. Overdue loans were high and the allowance for possible loan losses was not maintained at an adequate level.

A Memorandum of Understanding addressed the need for a written program to eliminate criticized assets and to improve the collection of delinquent and charged off assets. The purchase of loan participations was prohibited unless the bank had first obtained and analyzed adequate credit information, and a written lending policy was required. The bank was required to improve its internal loan review system and to identify and address concentrations of credit.

246. Bank with assets of $25 to $50 million

The bank's unsatisfactory condition was attributed to ineffective board supervision, the lack of effective

[illegible] regarding major areas and the depressed oil, gas and agricultural economies. Poor lending practices had resulted in a deterioration of loan quality, a large volume of credit exceptions and a high level of criticized assets. Losses identified in the examination depleted the allowance for possible loan losses which adversely impacted earnings. The bank was operating without an effective funds management policy. Several violations of 12 USC 84 were noted as were other violations of law.

An Order to Cease and Desist required the bank to: (1) appoint a compliance committee to monitor and ensure adherence with the Order; (2) develop a program to eliminate criticized assets; (3) establish a loan review system; (4) review and revise the lending policy; (5) implement policies and procedures to prevent undue concentrations of credit; (6) obtain satisfactory credit information and collateral documentation; (7) implement policies and procedures regarding nonaccrual loans; (8) establish a program to maintain an adequate allowance for possible loan losses; (9) adopt and implement a written funds management policy; (10) take action to ensure adequate liquidity; (11) review and revise the investment policy; (12) develop a capital program, including plans to maintain adequate capital; (13) develop a profit plan designed to improve and sustain earnings; (14) employ independent outside counsel to review the 12 USC 84 losses and make recommendations with respect thereto; (15) correct violations of law and take action to prevent recurrence; (16) conduct a current management study and implement a management plan; (17) implement a written internal audit program designed to correct existing deficiencies; and (18) correct existing internal control deficiencies.

247. Bank with assets of $50 to $100 million

An examination of the bank revealed two violations of 12 USC 84 and other questionable practices, many involving insiders or the former bank owner. Huge overdrafts were discovered on the former owner's personal account. Large volumes of direct loans to out-of-area borrowers and participations purchased from out-of-area banks were noted. Lending policy deficiencies were apparent. The bank's president had received preferential treatment on several bank-related transactions. Also, the bank was trading investment securities without establishing a clear trading policy or a trading account.

An Order to Cease and Desist required correction of the [illegible] improvements in the lending [illegible] and implementation of [illegible] loan participations [illegible] direct supervision of criticized assets, segregation of securities investment and securities trading functions, and establishment and implementation of a conflicts of interest policy.

248. Bank with assets of less than $25 million

Examination revealed that the bank was operating without adequate management and was involved in numerous violations of banking laws and regulations. Additionally, the bank had excessive classified assets and had accumulated a substantial amount of loans not supported by current and satisfactory credit information. The bank had not adopted procedures to monitor problem credits and had failed to identify poor quality loans in its loan portfolio and adjust its allowance for possible loan losses accordingly. The bank's liquidity position was inadequate in view of the make-up of its deposit structure and had not monitored rate sensitivity or net interest margin positions as a part of its funds management procedures. Internal controls were unsatisfactory and the bank had failed to establish an adequate consumer compliance program.

An Order to Cease and Desist required the bank to obtain a new chief executive officer acceptable to the District Deputy Comptroller and to study additional management needs and correct any deficiencies identified. A written funds management policy was to be devised. The bank's written lending policy was to be revised to incorporate changes suggested in the examination report and the *Comptroller's Handbook for National Bank Examiners*. The bank was ordered to implement a written program to eliminate the bases for criticism of the excessive criticized assets and to establish a loan review system to identify problem credits. The adequacy of the allowance for possible loan losses was to be reviewed and augmented, as necessary, each calendar quarter. All violations of law and regulation were to be corrected. Extensions of credit to directors in violation of 12 USC 375b were to be reviewed to determine whether the bank was due any additional interest payments because of any favorable rates charged.

249. Bank with assets of $25 to $50 million

Deteriorated asset quality, poor earnings, insider abuse, serious violations of law, inadequate supervision by both the board and management, and numerous deficiencies within the trust department and data processing areas of the bank were cited. A primary cause of the bank's many problems was the detrimental influence of the bank's principal shareholder who dominated the board and management. The need to service the principal shareholder's stock loan caused the bank to pay dividends far in excess of the statutory limit and to engage in other unsafe and unsound

banking practices. Earnings were adversely affected by high overhead and a large volume of fixed, low-interest rate assets.

A Formal Agreement required the bank to: (1) correct all violations of law and establish procedures to prevent their recurrence; (2) develop a program to eliminate criticized assets; (3) cease extending additional credit to criticized borrowers unless the board grants prior approval and certifies why it was in the bank's best interest; (4) correct all credit information and collateral exceptions; (5) develop formal problem loan review procedures; (6) review and maintain an adequate allowance for possible loan losses; (7) establish a written program to provide for improved collection efforts; (8) implement a nonaccrual policy which is in conformance with regulatory guidelines; (9) complete a written analysis of the management needs of the bank; (10) stop paying dividends, except in conformity with statute and with prior written notification to the Deputy Comptroller; (11) complete a written analysis of the bank's capital needs; (12) formulate a written program to improve and sustain earnings; (13) adopt and implement a written liquidity/funds management policy; (14) take action to eliminate or mitigate internal control deficiencies; (15) transfer all fiduciary accounts, except for land trusts, to successor fiduciaries; and (16) correct all deficiencies within the trust department. The board has also agreed to report quarterly to the Deputy Comptroller on actions taken to comply with the Agreement and the results of those actions.

250. Bank with assets of $25 to $50 million

An examination disclosed significant deterioration due to excessive criticized assets, an inadequate capital base, numerous violations of law, an imbalanced funds managment position, and little, if any, planning. Classified assets had increased dramatically and credit selection, analysis, and documentation were poor. Capital adequacy had declined because of significant growth in assets, especially loans. Six violations of 12 USC 84 were noted during the examination. In addition, the bank had purchased significant amounts of high cost, volatile liabilities which subjected the bank to undue interest rate risk.

A Formal Agreement required the board to: (1) correct and eliminate all violations of law; (2) develop a written program designed to remove each criticized asset from that status; (3) revise the bank's lending policy; (4) obtain and maintain adequate credit information; (5) establish a satisfactory loan review system; (6) establish a program to maintain an adequate allowance for possible loan losses; (7) evaluate the quality, depth, and ability of current management, especially in the lending area, and adopt a program to [illegible] all any deficiencies identified; (8) adopt an adequate funds management policy; (9) develop a 3-year capital plan and achieve primary capital equal to 7 percent of total assets; (10) adopt a 3-year strategic plan for the bank; and (11) develop a comprehensive and detailed budgeting plan.

251. Bank with assets of $100 to $250 million

Sloppiness in lending practices, lax collection procedures, and inadequate supervision by the board of directors contributed to significant asset quality problems at this bank. Many imprudent lending deficiencies had been criticized at previous examinations yet the board and senior management had not been able to reduce credit file exceptions and improve credit files, establish a reliable loan review system, produce accurate management information systems reports, or adhere to established lending policies. Paying and capitalizing unpaid real estate taxes on real estate loans (which made up 29 percent of criticized loans) was an example of the imprudent lending practices at this institution. Due to the deterioration in asset quality and the absorption of deposits from an insolvent competitor, primary capital had declined to less than 7 percent of adjusted total assets. Other substantive criticisms included lack of a comprehensive funds management policy and rate-sensitivity reports; trading activity in the investment portfolio without board-authorized policies; and repeat violations of consumer-related laws and regulations.

A Formal Agreement was executed which required the bank and the board to: (1) correct all violations of law cited in the most recent report of examination; (2) achieve and maintain primary capital equal to at least 7 percent of total adjusted assets by September 30, 1984; (3) designate a committee of non-officer directors to analyze the supervision and administration of the lending function; (4) adopt and implement a program to strengthen or collect each criticized asset of more than $40,000; (5) restrict further lending to criticized borrowers; (6) strengthen collection and past-due reporting procedures; (7) establish a formal independent loan review system and procedures for ensuring the adequacy of the allowance for possible loan losses; (8) obtain current and adequate credit information on all loans; (9) review and revise the bank's written lending policy; (10) adopt a securities trading policy before continuing trading activity; (11) revise the bank's written liquidity, asset and liability management policy; (12) assess the capabilities of the bank's electronic data processing services; and (13) correct all violations of consumer law. Written reports on several articles were to be submitted to the Director for Bank Supervision.

252. Bank with assets of $250 to $500 million

An examination disclosed the unsatisfactory condition of the bank. A large volume of classified assets, inadequate liquidity, and numerous violations of law were the bank's major problems. Management was not considered capable of handling those problems.

An Order to Cease and Desist executed with the board of directors required the bank to: (1) appoint a compliance committee to monitor adherence to the provisions of the Order; (2) conduct a management study and develop a management plan to correct deficiencies; (3) employ independent, outside counsel to review the extension of credit in violation of 12 USC 84 and submit a written report concerning the potential liability of the board or any of its members for losses sustained on that extension of credit; (4) correct all violations of law and notify the Deputy Comptroller of the date and manner of correction and procedures to prevent similar violations; (5) develop and implement a written program designed to remove each criticized asset from that status; (6) review and revise the bank's written lending policy; (7) adopt and implement written policies and procedures governing the supervision and control of nonaccrual loans; (8) obtain current credit information and stop making loans without obtaining such information; (9) establish a system to periodically review the bank's loan portfolio to identify and categorize problem credits; (10) review and maintain an adequate allowance for possible loan losses; (11) develop a written capital program; (12) continue to monitor and assess the adequacy of the bank's liquidity on a monthly basis; (13) develop and submit a written funds management policy to the Deputy Comptroller; (14) develop and implement a written audit program to correct audit deficiencies; and (15) correct internal control deficiencies.

253. Bank with assets of less than $25 million

An examination had revealed deterioration in the overall condition of the subject bank. In particular, the examination had disclosed high levels of criticized assets, poor earnings, violations of law, and internal audit deficiencies. Those problems were primarily attributable to inadequate management, poor supervision by the bank's board of directors, and improper activities by the bank's principal shareholder.

An Order to Cease and Desist required the bank to: (1) [illegible] the independence of the board in its supervision of the bank; (2) employ a capable chief executive officer and senior lending officer; (3) conduct a [illegible] management and staffing; (4) [illegible]; (5) review all insider [illegible] (6) [illegible] com-

pensation or other benefits unless in accordance with Banking Circular 115; (7) correct violations of law; (8) adopt a written program for the elimination of criticized assets; (9) eliminate the grounds of criticism for all insider loans; (10) adopt policies to reduce concentrations; (11) adopt policies regarding overdrafts; (12) establish a loan review system; (13) obtain and maintain current and satisfactory credit information; (14) maintain an adequate allowance for possible loan losses; (15) adopt a written funds management policy; (16) adopt a profit program; (17) adopt an internal audit program; and (18) review the bank's liquidity on a monthly basis.

254. Bank with assets of $100 to $250 million

An examination revealed high levels of criticized assets, extensive trading activity, poor earnings, and a dependence on rate-sensitive liabilities. Those problems were primarily attributable to inadequate board supervision and management which was unable to effectively deal with the bank's problems.

An Order to Cease and Desist required the bank to: (1) establish a compliance committee; (2) review the effectiveness of the board supervision; (3) develop and implement a management plan; (4) review and revise the bank's asset and liability management policy; (5) review and revise the bank's securities trading and investment activities; (6) maintain primary capital equal to 7 percent of total assets; (7) declare no dividends, except with 30 days prior notification to the Deputy Comptroller; (8) correct violations of law; (9) adopt a comprehensive conflict of interest policy; (10) adopt a written program for criticized assets; (11) review and revise the bank's lending policy; (12) review the adequacy of the bank's allowance for possible loan losses; and (13) develop a 3-year business plan.

255. Bank with assets of $250 to $500 million

An examination revealed continuing deterioration of the bank as a result of poor management and ineffective board supervision. The bank's classified assets had risen dramatically as had past-due loans, credit exceptions and nonearning assets. Consequently, the bank was experiencing negative earnings and an inadequate capital posture.

A Formal Agreement was entered into with the bank which required it to: (1) achieve and maintain primary capital equal to 7 percent of total assets; (2) develop a 3 year capital plan; (3) appoint no new chief executive officer without the approval of the Deputy Comptroller; (4) adopt a program to eliminate criticized assets; (5) lend to no criticized borrower unless failure to do so would be detrimental to the best interests of the bank

(6) reduce past-due loans by improving collection efforts; (7) adopt a program to obtain and maintain satisfactory credit information; and (8) pay dividends only in accordance with 12 USC 56 and 60, and with prior written notification to the Deputy Comptroller.

256. Bank with assets of less than $25 million

Weak ineffective management had failed to address previously identified problem areas and was the principal cause for the bank's deterioration. The level and severity of criticized assets had increased significantly. Low net interest margins and heavy loan loss provisions had resulted in poor earnings. At the time of the examination, capital was deemed adequate.

A Memorandum of Understanding was executed which required the bank to: (1) evaluate management; (2) develop a program to eliminate criticized assets; (3) obtain complete collateral documentation and adequate credit information; (4) develop an internal loan review system; (5) revise the lending policy; (6) review and maintain an adequate allowance for possible loan losses; (7) adopt a conflict of interest policy; (8) develop a funds management policy; (9) develop an investment policy; (10) develop financial projections; (11) prevent further violations of 12 USC 84; and (12) develop a consumer compliance program.

257. Bank with assets of $50 to $100 million

A specialized examination of the bank disclosed poor asset quality, faulty earnings, and weak management. The bank's owner had received excessive compensation. In addition, the bank was not complying with several articles of an outstanding Memorandum of Understanding.

An Order to Cease and Desist was issued which addressed concerns with management, lending policies, loan review, criticized assets, collection practices, credit data exceptions, nonaccrual loan procedures, maintenance of the allowance for possible loan losses, business strategy, and the owner's compensation.

258. Bank with assets of $25 to $50 million

Significant asset deterioration and poor earnings were major problems confronting the bank. Asset deterioration was signaled by the bank's acquisition of below investment-grade securities, increased nonperforming assets, and high past-due loans. Formerly a strong earner, the bank had been acutely affected by declining interest margins, increasing overhead expenses, nonaccrual assets, and provisions to the allowance for possible loan losses. Weak supervision by the board, coupled with inexperienced executive management, was considered the primary reason for many of the bank's problems. There were also several violations of law and numerous internal control deficiences

A Formal Agreement required the bank to (1) correct all violations of law, rule, and regulation, and adopt procedures to prevent their recurrence, (2) perform an evaluation of present management and determine appropriate management changes; (3) eliminate the grounds for criticism of each asset more than $50,000, and stop making loans to criticized borrowers, (4) review and maintain the adequacy of the allowance for possible loan losses; (5) develop a written funds management policy; (6) develop a written 3-year business plan, including a profit plan and detailed budget, (7) review and update investment policies to reflect present investment goals and strategies; (8) review and update all other written policies to correct deficiencies in the bank's procedures as identified in the report of examination; (9) correct all collateral exceptions; (10) correct all internal control deficiencies; (11) obtain and analyze current and satisfactory credit information before extending credit in any form; and (12) develop procedures to identify and control concentrations of credit. The board also agreed to report quarterly to the Deputy Comptroller on actions taken to comply with the Agreement and the results of those actions.

260. Bank with assets of $25 to $50 million

Significant asset deterioration, declining earnings, and repeated violations of numerous laws and regulations were major problems confronting the bank. Asset deterioration was marked by excessively high past-due loans, heavy asset classifications, and high loan losses. Earnings performance had been affected by rising overhead and a provision to the allowance for possible loan losses was necessary to maintain its adequacy. Weak supervision by the board and executive management was considered the primary reason for the bank's problems. Lack of adequate supervision was evident in inadequate loan administration, poor internal records and reporting systems, lack of adherence to bank policy, noncompliance with laws and regulations, and failure to correct previously identified deficiencies.

A Formal Agreement required the bank to (1) correct all violations of law, rule, and regulation, and adopt procedures to prevent recurrence, (2) perform an evaluation of present management and staffing needs making changes as appropriate, (3) eliminate the grounds for criticism of each asset of more than $25,000, and stop making loans to borrowers holding criticized loans, (4) adopt and implement a program to control delinquencies and improve recoveries; (5)

amend the lending policy to address noted deficiencies, (6) establish a loan review system, (7) maintain an adequate allowance for possible loan losses, (8) correct all credit and collateral exceptions, (9) obtain and analyze current and satisfactory credit information before extending credit in any form, (10) develop and implement a written policy on investment and funds management, (11) develop and implement an earnings and budget plan and a capital plan, (12) correct all noted internal control deficiencies, and prevent their recurrence, (13) initiate a satisfactory internal audit function, (14) correct noted electronic data processing deficiencies in audit coverage and contingency planning, and (15) review and revise management reporting systems considering items set forth in the report of examination. The board will also submit quarterly progress reports to the Deputy Comptroller detailing actions taken to comply with each article of the Agreement and the results of these actions.

261. Bank with assets of $100 to $250 million

An examination disclosed the unsatisfactory condition of the bank. Rapid, uncontrolled growth, violations of law, and poor management were the bank's major problems.

A Formal Agreement executed with the board of directors of the bank required the bank to: (1) appoint a compliance committee to monitor the bank's adherence to the provisions of the Agreement, (2) conduct a management study, and develop a management plan to correct deficiencies, (3) correct each violation of law, including the violations of 12 USC 84, and establish procedures to prevent similar violations; (4) review, and amend, as appropriate, written lending policies; (5) develop and implement a written program to improve the bank's loan administration; (6) renew or extend loans or other extensions of credit only in conformity with the bank's loan policies and procedures; (7) establish an independent loan review system to periodically review the portfolio to identify and categorize problem credits; (8) develop and implement a written program designed to remove each criticized asset from that status; (9) obtain current credit information and stop making loans without such information; (10) review and maintain an adequate allowance for possible loan losses; (11) review the bank's liquidity monthly; (12) develop and implement a written plan to improve and sustain the bank's earnings; (13) develop and implement a capital program; (14) develop and implement a policy governing other real estate owned; and (15) submit monthly progress reports to the Deputy Comptroller detailing actions taken to comply with each article of the Agreement, and the results of those actions.

Merger Decisions—October 1 to December 31, 1983

I. Mergers consummated involving two or more operating banks

II. Mergers consummated involving a single operating bank

I. Mergers consummated involving two or more operating banks.

CITIZENS FIRST NATIONAL BANK OF NEW JERSEY, Ridgewood, N.J., and Bergen State Bank, Bergenfield, N.J.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Bergen State Bank, Bergenfield, N.J., with	$139,838,000	1	
and Citizens First National Bank of New Jersey, Ridgewood, N.J. (11759), which had	964,383,000	32	
merged October 1, 1983, under charter and title of the latter. The merged bank at date of merger had			33

COMPTROLLER'S DECISION

On June 1, 1983, an application was filed with the Office of the Comptroller of the Currency to merge Bergen State Bank, Bergenfield, N.J. (BSB), into Citizens First National Bank of New Jersey, Ridgewood, N.J. (Citizens). The application is based on an Agreement and Plan of Merger finalized between BSB and Citizens on January 31, 1983.

As of March 31, 1983, BSB, an independent bank, held total deposits of $114.4 million in seven offices. On the same date, Citizens held total deposits of $748.1 million and operated 32 offices. Citizens is wholly-owned by Citizens First Bancorp, Inc., a one-bank holding company.

All seven offices of BSB are located in towns along the eastern edge of Bergen County, and BSB derives over 75 percent of its total deposits from the 14 contiguous towns in the eastern portion of the County. This is considered to be the relevant geographic market for this proposal. Within this market, BSB holds 5.6 percent of commercial bank deposits, ranking sixth of nine competitors.

Citizen operates 22 offices in Bergen County, primarily in the north-central portion of the County. No branches of Citizens are located in the string of eastern Bergen County towns which comprise BSB's geographic market, and the applicant indicates that it acquires only 1.4 percent of its total deposits from the market area. Therefore, consummation of this proposal will merely replace one competitor in the market with another significantly larger institution, while permitting Citizens to enter a market where it currently does not compete.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. Consummation of the proposed merger will provide the resulting bank with an increased legal lending limit, and customers of BSB with a wider range of services from which to choose. Consequently, the future prospects of the resulting bank are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicant's records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not lessen competition in the relevant market. Accordingly, the application is approved.
August 31, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

* Asset figures are from the September 30, 1983, report of condition. Information as of date of consummation was not available at press time.

COMMUNITY BANK AND TRUST NATIONAL ASSOCIATION, Fairmont, W. Va., and Middletown National Bank, Fairmont, W. Va.

Name of bank and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Middletown National Bank, Fairmont, W. Va. (15842), with	$ 26,619,000	2	
and Community Bank and Trust, National Association, Fairmont, W. Va. (15760), which had	140,041,000	6	
merged October 1, 1983, under charter and title of the latter. The merged bank at date of merger had			8

COMPTROLLER'S DECISION

On June 3, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge The Middletown National Bank, Marion County, W. Va. (MNB), into Community Bank and Trust, National Association, Fairmont, W. Va. (CB&T). The application is based on an agreement finalized between MNB and CB&T on March 17, 1983.

CB&T, chartered as a state savings and loan in 1918, converted to a state-chartered commercial bank in 1954, and to a national bank in 1969. CB&T had total assets of $109 million and deposits of $86 million as of March 31, 1983. CB&T is headquartered in Fairmont, Marion County, and operates branches in Rivesville, Marion County, Star City, Monongalia County, and a branch and drive-in facility in Morgantown, Monongalia County, W. Va.

MNB was chartered as an affiliate of CB&T on December 14, 1970. MNB had total assets of $26 million and deposits of $24 million as of March 31, 1983. It is headquartered outside of Fairmont in Marion County and operates one drive-in facility in Marion County.

CB&T's relevant geographic market consists of Marion and Monongalia Counties. MNB's relevant geographic market consists of the Union and Grant Districts of Marion County. CB&T's main office in downtown Fairmont is located 5 miles north of MNB. Although there is some overlapping of the markets between the two banks, MNB and CB&T are affiliated with eight mutual directors and more than 51 percent of the stock of MNB being held by shareholders owning more than 51 percent of the stock of CB&T. Both banks are operated under identical policies and management philosophies. This proposed merger will merely formalize the existing competitive structure and will not result in any lessening of competition in the relevant market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. The merger will provide MNB's community with added conveniences and a more efficient line of banking services made available through affiliation with a larger commercial bank. The merger will also provide greater resources to more effectively meet the banking needs of the community and enable the bank to offer more effective competition.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not lessen competition in the relevant market. Accordingly, the application is approved.

August 31, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* Asset [illegible] from the [illegible] 1983 report of condition [illegible] was not available at press time.

FIRST BANK SOUTHEAST OF LAKE GENEVA, NATIONAL ASSOCIATION,

Lake Geneva, Wis., and First Bank Southeast of Silver Lake, Silver Lake, Wis., and First Bank Southeast of Twin Lakes, Twin Lakes, Wis., and First Bank Southeast of Darien, Darien, Wis.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
First Bank Southeast of Silver Lake, Silver Lake, Wis., with	$12,680,000	1	
First Bank Southeast of Twin Lakes, Twin Lakes, Wis., with	12,081,000	1	
First Bank Southeast of Darien, Darien, Wis., with	8,850,000	1	
and First Bank Southeast of Lake Geneva, National Association, Lake Geneva, Wis. (3125), which had	58,829,000	3	
merged October 1, 1983, under charter and title of the latter. The merged bank at date of merger had			6

COMPTROLLER'S DECISION

First Bank Southeast of Silver Lake, First Bank Southeast of Twin Lakes, First Bank Southeast of Darien and First Bank Southeast of Lake Geneva, National Association are majority-owned and controlled by David A. Straz, David A. Straz, Jr. and their interests. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

* Asset figures are from the September 30, 1983, report of condition Information as of date of consummation was not available at press time

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the bank's records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
August 22, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST BANK SOUTHEAST OF RACINE COUNTY, NATIONAL ASSOCIATION,

Franksville, Wis., and First Bank Southeast, National Association, Kenosha, Wis., and First Bank Southeast of West Kenosha, Kenosha, Wis.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
First Bank Southeast, National Association, Kenosha, Wis. (14522), with	$56,544,000	4	
and First Bank Southeast of West Kenosha, Kenosha, Wis., with	16,171,000	1	
and First Bank Southeast of Racine County, National Association, Franksville, Wis. (15380), which had	58,866,000	3	
merged October 1, 1983, under charter of the latter and with title of "First Bank Southeast, National Association." The merged bank at date of merger had			8

COMPTROLLER'S DECISION

First Bank Southeast of West Kenosha, First Bank Southeast, National Association and First Bank Southeast of Racine County, National Association are majority-owned and controlled by David A. Straz, David A. Straz, Jr. and their interests. This proposed merger is a corporate reorganization which would have no effect on competition.

* Asset figures are from the September 30, 1983 report of condition Information as of date of consummation was not available at press time

A review of the financial and managerial resources and future prospects of the existing and proposed

institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the bank's records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

August 30, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

INTRAWEST BANK OF DENVER, NATIONAL ASSOCIATION, Denver, Colo., and First Interstate Bank of Denver, National Association, Denver, Colo.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	*To be operated*
IntraWest Bank of Denver, National Association, Denver, Colo. (1016), with	$2,326,096,000	2	
and First Interstate Bank of Denver, National Association, Denver, Colo. (12517), which had	343,950,000	1	
merged October 1, 1983, under charter and title of the latter, with headquarters at IntraWest's Office. The merged bank at date of merger had	2,698,315,000		3

COMPTROLLER'S DECISION

On April 12, 1983, application was made to the Office of the Comptroller of the Currency for prior authorization to merge IntraWest Bank of Denver, National Association, Denver, Colo. (IntraWest-Denver), into First Interstate Bank of Denver, National Association, Denver, Colo. (First). The application is based upon a written agreement executed by the banks on April 4, 1983, and all amendments thereto.

As of December 31, 1982, First held total deposits of $259 million. First is a wholly-owned subsidiary of First Interstate Bancorp, Los Angeles, Calif. (First Interstate), a grandfathered multi-state bank holding company operating 22 subsidiary banks in 11 western states. At year end 1982, First Interstate held consolidated deposits of $30.5 billion and was the eighth largest banking organization in the United States.

On the same date, IntraWest-Denver, a wholly-owned subsidiary and the flagship of IntraWest Financial Corporation (IntraWest Financial), held total U.S. deposits of [illegible]. IntraWest Financial operated 15 subsidiary banks in Colorado, [illegible] of which are located in the [illegible] Denver area, and had consolidated [illegible].

[illegible] market for this proposal is the Denver [illegible] Area (Denver RMA), the area from which both banks derive the bulk of their deposits. The Denver RMA includes Denver County and the surrounding suburbs of Arvada, Aurora, Brighton, Broomfield, Cherry Hills, Eastlake, Englewood, Golden, Lakewood, Littleton, Northglenn, Sheriden, Thornton, Westminster and Wheat Ridge. Within the Denver RMA, 67 banking organizations operate 107 commercial banks holding total deposits of $8.6 billion.

IntraWest Denver is the second largest commercial bank in the market with a 15.7 percent market share and First is the sixth largest with a 2.8 percent market share; the resulting bank would be the largest commercial bank in the Denver RMA with an 18.5 percent share. IntraWest Financial is the second largest banking organization in the market and First Interstate is the sixth largest banking organization. After consummation of this proposal, the position of the two parent holding companies would be reversed with First Interstate holding a slightly higher percentage of the market deposits than did IntraWest Financial prior to the merger (19.6 percent vs. 18.0 percent). Thus, although there would be one less commercial bank operating in the Denver RMA, the number of banking organizations in the market would remain the same and there would be only nominal change in the concentration ratios. Further, there are numerous alternative financial organizations operating in the mar-

ket. Because the proposed merger represents only an exchange of ranking within the Denver RMA by IntraWest Financial and First Interstate and does not reduce the number of competing banking organizations in the market, this Office finds that the proposed transaction would not have an adverse effect on competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of First are satisfactory and its future prospects are favorable. However, because of financial and managerial difficulties which it has experienced, IntraWest-Denver's present condition is less than satisfactory and its future prospects, and those of IntraWest Financial, are not favorable. After consummation of the proposal, the resulting bank will be able to draw on the financial and managerial resources of First Interstate. Consequently, the future prospects of the resulting bank and those of IntraWest Financial with the burdens from IntraWest-Denver removed, appear favorable, as do the expected effects of the proposed merger on the convenience and needs of the Denver RMA.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not have a significant effect on competition in the relevant market. Accordingly, the application is approved, subject to the approval of the merger by IntraWest-Denver shareholders and subject to the condition noted in a separate communication to First.

June 30, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

NATIONAL BANK OF ODESSA,
Odessa, Tex., and First State Bank of Odessa, National Association, Odessa, Tex.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
National Bank of Odessa, Odessa, Tex. (14851), with	$77,720,000	1	
was purchased October 1, 1983, by First State Bank of Odessa, National Association, Odessa, Tex. (17935), which had	4,200,000	0	
After the purchase was effected, the receiving bank had			1

COMPTROLLER'S DECISION

On October 1, 1983 application was made to the Comptroller of the Currency for prior written approval for First State Bank of Odessa, National Association (Assuming Bank), to purchase certain assets and assume certain liabilities of National Bank of Odessa, Odessa, Tex. The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of the National Bank of Odessa For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

National Bank of Odessa was chartered as a national bank on January 21, 1959, and at the close of business on September 30, 1983, had total deposits of approximately $77 million The bank was declared insolvent by the Comptroller of the Currency on September 30, 1983, and was placed in the hands of the FDIC as receiver The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank Information as of date of consummation was not available at press time

would purchase certain assets and assume certain liabilities of National Bank of Odessa.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Odessa community. The Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Odessa community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probably effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of National Bank of Odessa, as set forth in the agreement, is approved. The Comptroller further finds that the failure of National Bank of Odessa requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

By accepting approval and by consummating the purchase and assumption transaction, the Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five percent (5%). The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty-five percent (25%) of tangible primary capital.

2. Achieve within two (2) years and thereafter maintain a ratio of primary capital to total assets that complies with the Comptroller's minimum capital adequacy guidelines.

These conditions shall be deemed to be "conditions imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC 1818(b) (1).

October 1, 1983

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

NORWEST BANK, OWATONNA, NATIONAL ASSOCIATION, Owatonna, Minn., and First State Bank of Medford, Medford, Minn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First State Bank of Medford, Medford, Minn., with	$ 4,747,000	2	
was purchased October 1, 1983, by Norwest Bank, Owatonna, National Association, Owatonna, Minn. (16196), which had	99,556,000	1	
After the purchase was effected, the receiving bank had			3

COMPTROLLER'S DECISION

On May 26, 1983, application was made to the Office of the Comptroller of the Currency for authorization for Norwest Bank, Owatonna, National Association, Owatonna, Minn. (Norwest), to purchase the assets and assume the liabilities of First State Bank of Medford, Medford, Minn. (State). The application is based upon an agreement finalized between Norwest and State on April 20, 1983.

As of March 31, 1983, Norwest had total assets of approximately $99 million. The bank's main office and one branch both operate in the Owatonna area. State had total assets of approximately $5 million on March 31, 1983, and has no branch offices.

The relevant banking market of State is the northern portion of Steele County. Norwest is one of the largest financial institutions in the relevant market and State, with total deposits of $4.4 million as of March 31, 1983, is the smallest. Combined commercial bank deposits for the relevant market at December 31, 1982, were $145 million with two state-chartered banks, having a total of five banking offices, providing competition. Additional competition is provided by two savings and loan associations, two credit unions, and a Production Credit Association branch office. There are several banking alternatives available in the market and this Office believes that the proposal will not substantially lessen competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of Norwest are considered satisfactory with additional expertise available through the bank's holding company, Norwest Corporation. The future prospects of Norwest are considered favorable. State has experienced loan and earnings problems which cause its future prospects as an independent bank to be less than favorable. Based upon the current condition and management/ownership of Norwest, the resulting bank is expected to provide better service and convenience to the public. The future prospects of the resultant bank are favorable.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not have a significant effect on competition in the relevant market. Accordingly, the application is approved August 9, 1983

* Asset figures are from the September 30, 1983, report of condition. Information as of date of consummation was not available at press time

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE SOUTH CAROLINA NATIONAL BANK, Charleston, S.C., and Bank of Gaffney, Gaffney, S.C.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
Bank of Gaffney, Gaffney, S.C., with	$ 29,310,000	135	
and The South Carolina National Bank, Charleston, S.C. (2044), which had	2,046,560,000	3	
merged October 1, 1983, under charter and title of the latter. The merged bank at date of merger had	2,077,010,000		138

COMPTROLLER'S DECISION

On January 21, 1983, application was made to the Office of the Comptroller of the Currency to merge Bank of Gaffney, Gaffney, S.C. (Gaffney), into The South Carolina National Bank, Charleston, S.C. (SCNB). This application is pursuant to an agreement finalized between Gaffney, SCNB and South Carolina National Corporation (SCN Corp.) parent company of SCNB, dated December 7, 1982.

As of September 30, 1982, Gaffney, an independent bank, had total deposits of $21,641,000 and operated three offices, all in Cherokee County. On the same date, SCNB, a wholly-owned subsidiary of SCN Corp., had total deposits of $1,340,119,000 and operated 127 offices in 26 counties throughout South Carolina. SCNB has no offices in Cherokee County.

The proponents currently do not compete directly, and as such, consummation of this proposal will have no significant effect on existing competition in the relevant geographic market. The relevant market for this proposal is Cherokee County, S.C., the area in which Gaffney operates its offices, derives the bulk of its deposits and therefore, competes directly. Gaffney, with 24 percent of market deposits, is the second largest of the three banks operating in the market. The largest bank, with 55 percent of market deposits, is a major statewide banking system as is the smallest of the three (with 21 percent of the market deposits). SCNB derives no measurable business from the relevant market, and its closest office is located approximately 20 miles southeast of Gaffney. Therefore, consummation of this proposal will merely replace one competitor in the market with another, significantly larger institution, while permitting SCNB to enter a market where it currently does not compete directly.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. Consummation of the proposed merger will provide the resulting bank with an increased legal lending limit, and customers of Gaffney with a wider range of services from which to choose. Consequently, the future prospects of the resulting bank are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicant's records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not lessen competition in the relevant market. Accordingly, the application is approved.

July 13, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST NATIONAL BANK OF FLORIDA,
Tampa, Fla., and First Bank and Trust of Lake Placid, Lake Placid, Fla.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
First Bank and Trust of Lake Placid, Lake Placid, Fla., with	$ 48,335,000	2	
and First National Bank of Florida, Tampa, Fla. (3497), which had	1,475,093,000	23	
merged October 2, 1983, under charter and title of the latter. The merged bank at date of merger had	1,518,476,000		25

COMPTROLLER'S DECISION

On July 1, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge First Bank and Trust of Lake Placid, Lake Placid, Fla. (FB&T), into First National Bank of Florida, Tampa, Fla. (FNB). The application is based on an agreement finalized between FB&T and FNB on June 15, 1983.

FNB, chartered in 1883 as the Bank of Tampa, is Florida's oldest national bank. FNB had total assets of $1,418 million and deposits of $1,153 million as of March 31, 1983. It operates 23 offices in Hillsborough, Manatee, Sarasota and Collier counties. FNB is the lead subsidiary bank of First Florida Banks, Inc., a $2.5 billion multi-bank holding company that owns controlling interest in seven national and seven state banks with 65 banking locations in 26 cities throughout the state.

FB&T, chartered in 1960, had total assets of $48 million and total deposits of $43 million on March 31, 1983. FB&T operates two offices, both located in Lake Placid.

FB&T's relevant geographic market consists of the City of Lake Placid which is almost entirely surrounded by lakes. FNB's nearest affiliate banking office is an office of First National Bank of Punta Gorda, located in Charlotte County, 51 miles southwest of FB&T. FNB's nearest office to FB&T is its Venice Office, located 70 miles west. The two banks are located in two distinct geographic markets and do not compete directly. This merger will merely replace one competitor in the market with a larger and stronger institution and competition will be enhanced.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. The merger will provide FB&T with greater resources to more effectively meet the banking needs of its community while providing the Lake Placid community with an expanded and more efficient line of banking services through affiliation with a larger commercial bank.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicant's records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not lessen competition in the relevant market. Accordingly, the application is approved.

September 2, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

UNITED STATES NATIONAL BANK OF OREGON,
Portland, Oreg., and The Deschutes Bank, Redmond, Oreg.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Deschutes Bank, Redmond, Oreg., with	$ 10,207,000	1	
was purchased October 7, 1983, by United States National Bank of Oregon, Portland, Oreg. (4514), which had	5,294,623,000	183	
After the purchase was effected, the receiving bank had			184

COMPTROLLER'S DECISION

On October 7, 1983, application was made to the Comptroller of the Currency to grant prior written approval for United States National Bank of Oregon, Portland, Oreg., (Assuming Bank), to purchase certain assets and assume certain liabilities of The Deschutes Bank, Redmond, Oreg. The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of The Deschutes Bank. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

The Deschutes Bank is a state-chartered, non-member bank, and at the close of business on October 7, 1983, had total deposits of approximately $11 million. The bank was declared insolvent by the Commissioner of Banks of the State of Oregon on October 7, 1983, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, of The Deschutes Bank.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption to the Redmond community. The Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Redmond community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of The Deschutes Bank, as set forth in the agreement, is approved. The Comptroller further finds that the failure of The Deschutes Bank requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community, and the Comptroller thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

October 7, 1983

* [illegible] September 30, 1983 report of condition [illegible] was not available at press [illegible]

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

THE THIRD NATIONAL BANK AND TRUST COMPANY,
Dayton, Ohio, and The Third National Bank of Western Ohio, Celina, Ohio

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
The Third National Bank of Western Ohio, Celina, Ohio (5523), with	$163,408,146	9	
and The Third National Bank and Trust Company, Dayton, Ohio (10), which had	777,474,605	28	
merged October 8, 1983, under charter and title of the latter. The merged bank at date of merger had	940,882,751		37

COMPTROLLER'S DECISION

The Third National Bank of Western Ohio and The Third National Bank and Trust Company are majority-owned and controlled by Interstate Financial Corporation, Dayton, Ohio, a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
September 7, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE PARKERSBURG NATIONAL BANK,
Parkersburg, W. Va., and The Bank of Dunbar, Dunbar, W. Va.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
The Bank of Dunbar, Dunbar, W. Va., with	$ 78,875,000	2	
and The Parkersburg National Bank, Parkersburg, W. Va. (1427), which had	225,074,000	3	
merged October 12, 1983, under charter and title of the latter. The merged bank at date of merger had			5

COMPTROLLER'S DECISION

On June 14, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge The Bank of Dunbar, Dunbar, W Va. (Dunbar), into The Parkersburg National Bank, Parkersburg, W. Va (PNB) The application is based on an agreement finalized between Dunbar and PNB on April 26, 1983

PNB, chartered in 1865, had total deposits of $188 million as of December 31, 1982, and was the fourth largest bank in the state with 2 1 percent of the state's commercial bank deposits PNB operates two full service offices and one off-premise drive-in facility in Parkersburg

Dunbar, chartered in 1917, had total deposits of $69 million as of December 31, 1982 and controls less than 1 percent of the state's commercial bank deposits Dunbar operates one office in Dunbar and one off-premise drive in located in South Charleston

* Asset figures are from the September 30 1983, report of condition Information as of date of consummation was not available at press time

PNB's relevant geographic market consists of Wood County, West Virginia and Washington County, Ohio, from which PNB receives 88.6 percent of its deposit dollars and 84.7 percent of its installment loans. Dunbar's relevant geographic market consists of Kanawha and Putnam counties in West Virginia, from which Dunbar receives 98.8 percent of its deposits and 98.6 percent of its installment loans. Charleston, the capital of West Virginia, is located 8 miles northeast of Dunbar. The Dunbar drive-in facility in South Charleston is located approximately 90 miles south of the nearest office of PNB. Dunbar and PNB are located in two distinct geographic markets and do not compete directly. Dunbar, with 4.4 percent of its market's deposits, is the seventh largest of 25 banks in the market. The proposed merger would not eliminate a competitor in the market but would merely substitute one competitor with a larger and stronger institution. Competition will be enhanced.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources and future prospects of both banks are satisfactory and future prospects of the combined entity are good. The merger will provide Dunbar with greater resources to more effectively meet the banking needs of its community, and will provide the Dunbar community with an expanded and more efficient line of banking services through affiliation with a larger commercial bank.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.

September 9, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST NATIONAL BANK OF BIRMINGHAM, Birmingham, Ala., and Baldwin National Bank, Robertsdale, Ala.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Baldwin National Bank, Robertsdale, Ala. (15402), with	$ 25,729,000	4	
and The First National Bank of Birmingham, Birmingham, Ala. (3185), which had	3,165,738,000	90	
merged October 14, 1983, under charter of the latter and with the title "AmSouth Bank, National Association." The merged bank at date of merger had	3,191,467,000		94

COMPTROLLER'S DECISION

The Commercial National Bank of Anniston, Citizens National Bank of Limestone County, First National Bank of Decatur, Shoals National Bank of Florence, The American National Bank of Huntsville, The American National Bank & Trust Company of Mobile, The Alabama National Bank of Montgomery, The First National Bank of Autauga County, The City National Bank of Selma, Baldwin National Bank, The Bank of Arab, Parker Bank & Trust Company, Fort Payne Bank, Bank of Gadsden, The Bank of East Alabama, The Bank of [illegible], Peoples Bank of Tuscaloosa, Am[illegible] County, State Bank of the Gulf [illegible] and The First National Bank of Birmingham* are all majority-owned and controlled by AmSouth Bancorporation, Birmingham, Ala., a registered bank holding company. This proposed merger is a corporate reorganization of 20 AmSouth Bancorporation subsidiary banks into its lead bank and, consequently, it will have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed

* The mergers of these banks were consummated on different dates.

institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
January 13, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST NATIONAL BANK OF BIRMINGHAM, Birmingham, Ala., and The American National Bank & Trust Company of Mobile, Mobile, Ala.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The American National Bank & Trust Company of Mobile, Mobile, Ala. (13414), with	$ 290,257,000	13	
and The First National Bank of Birmingham, Birmingham, Ala. (3185), which had	2,875,481,000	77	
merged October 14, 1983, under charter of the latter and with the title "AmSouth Bank, National Association." The merged bank at date of merger had	3,165,738,000		90

The Comptroller's Decision and the Summary of Report by Attorney General can be found on p. 132

* * *

THE FIRST NATIONAL BANK OF MIDLAND, Midland, Tex., and RepublicBank First National Midland, Midland, Tex.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
The First National Bank of Midland, Midland, Tex. (4368), with	$1,547,489,000	1	
was purchased October 14, 1983, by RepublicBank First National Midland, Midland, Tex. (17956), which had	33,000,000	0	
After the purchase was effected, the receiving bank had			1

COMPTROLLER'S DECISION

On October 14, 1983, application was made to the Comptroller of the Currency for prior written approval for RepublicBank First National Midland, Midland, Tex. (Assuming Bank), to purchase certain assets and assume certain liabilities of The First National Bank of Midland, Midland, Tex. The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of The First National Bank of Midland. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

The First National Bank of Midland was chartered as a national bank on July 10, 1890, and at the close of

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

business on October 14, 1983 had total deposits of approximately $597 million. The bank was declared insolvent by the Comptroller of the Currency on October 14, 1983, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of The First National Bank of Midland.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Midland community. The Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Midland community. Thus, the approval of this transaction will help to avert a loss of public confidence in the banking system, and will improve the services offered to the banking public.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of The First National Bank of Midland, as set forth in the agreement, is approved. The Comptroller further finds that the failure of The First National Bank of Midland requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately. Assuming Bank is further authorized to operate all CBCT branch offices of Midland.

By accepting approval and by consummating the purchase and assumption transaction, the Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five percent (5%).

2. Within a reasonable period of time, achieve and maintain a ratio of primary capital to total assets that complies with the Comptroller's capital adequacy guidelines issued December 17, 1981. The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty-five percent (25%) of tangible primary capital.

These conditions shall be deemed to be "conditions imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC 1818(b) (1).
October 14, 1983

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

SUBURBAN NATIONAL BANK,
Eden Prairie, Minn., and Security State Bank, Savage, Minn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Security State Bank, Savage, Minn., with	$12,461,000	2	
and Suburban National Bank, Eden Prairie, Minn. (16559), which had	34,361,000	3	
merged October 14, 1983, under charter and title of the latter. The merged bank at date of merger had			5

COMPTROLLER'S DECISION

On April 6, 1983, application was made to the Office of the Comptroller of the Currency for authorization to merge Security State Bank, Savage, Minn. (Security), into Suburban National Bank, Eden Prairie, Minn. (National), under the charter and title of the latter. The application is based on an agreement finalized between the two banks on December 15, 1982.

As of December 31, 1982, National had total assets of approximately $28 million with total deposits in excess of $25 million. The bank operates two branch offices, with a third approved, but unopened, in Eden Prairie. On December 1, 1981, Suburban Bancorporation, Inc., a one bank holding company, purchased 15,976 shares of the 20,000 shares of common stock outstanding. As of February 24, 1983, it owned 16,016 shares or 80.1 percent of National. At December 31, 1982, Security had total assets of approximately $11 million with total deposits of $10 million. Security operates one branch in Savage, Minn.

The two banks are located approximately 6 miles apart and operate in the same basic market area of southwestern Minneapolis. The defined market area includes 29 other banks having combined deposits of approximately $1.1 billion. The resultant bank will account for only 3.2 percent of the market's total bank deposits. Additionally, there are 29 other financial institutions in the market area. The combination of banks and other financial institutions provides a wide spectrum of services and intense competition. This merger will not have a significant effect on competition.

The merger of these two banks will provide the convenience of six banking locations, a wider variety of banking officer experience, increased lending limits, and improved services with Security's conversion to National's on-line computer system.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources and future prospects of both banks are considered satisfactory. The future prospects of the resulting bank appear favorable as does its ability to further enhance its competitiveness in the market and serve the convenience and needs of its customers.

A review of the record of this application and other information available to the Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not have a significant effect on competition in the relevant market. Accordingly, the application is approved subject to proper notice to, and approval of the meger by shareholders of both banks, and to the conditions noted in a separate communication to National.

August 9, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* Asset figures are from the September 30, 1983, report of condition. Information as of date of consummation was not available at press time.

* * *

THE FIRST NATIONAL BANK OF BIRMINGHAM,
Birmingham, Ala., and The Bank of East Alabama, Opelika, Ala.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Bank of East Alabama, Opelika, Ala., with	$ 51,331,000	3	
and The First National Bank of Birmingham, Birmingham, Ala. (3185), which had	3,144,686,000	94	
merged October 28, 1983, under charter of the latter and with the title of "AmSouth Bank, National Association." The merged bank at date of merger had	3,196,017,000		97

The Comptroller's Decision and the Summary of Report by Attorney General can be found on p. 132.

* * *

CCNB BANK, NATIONAL ASSOCIATION,
New Cumberland, Pa., and The First National Bank of Newville, Newville, Pa.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Newville, Newville, Pa. (60), with	$ 13,889,000	1	
was purchased November 1, 1983, by CCNB Bank, National Association, New Cumberland, Pa. (14542), which had	430,536,000	19	
After the purchase was effected, the receiving bank had			20

COMPTROLLER'S DECISION

On April 13, 1983, an application was filed with the Office of the Comptroller of the Currency for CCNB Bank, N.A., New Cumberland, Pa. (CCNB), to purchase the assets and assume the liabilities of the First National Bank of Newville, Newville, Pa. (FNB). This application was made pursuant to a Purchase Agreement finalized between CCNB and FNB on February 9, 1983.

As of March 31, 1983, FNB had total deposits of $13.2 million and operated one office in Newville, Cumberland County. As of the same date, CCNB held total deposits of $403.9 million in 20 offices located in Cumberland, Perry, Dauphin, York and Adams counties.

The proponents currently do not compete directly, and as such, consummation of the proposed acquisition will have no significant effect on existing competition in the relevant geographic market. The relevant market for this proposal consists of the Borough of Newville and portions of the nine surrounding townships in the western portion of Cumberland County, from which FNB receives [illegible] percent of its deposit accounts.

In this market, FNB competes with only one other commercial bank and holds 42.8 percent of market deposits. CCNB receives nominal deposits from this market.

Offices of CCNB are situated in Harrisburg and in communities throughout the five counties surrounding the state capital which are within commuting distance of Harrisburg. Consequently, all offices of CCNB in Cumberland County are clustered in the eastern portion of the county. The nearest office of CCNB to FNB is 12 miles east of Newville, in Carlisle. This proposal represents CCNB's first market expansion efforts outside of the Harrisburg market. Consummation of this proposal will merely replace one competitor in the market with another, significantly larger institution, while permitting CCNB to enter a market where it does not currently compete.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. Consummation of the proposal will provide the resulting bank with an increased market area and will provide the Newville market with the services of a considerably larger and

* [illegible]

more sophisticated financial institution. Consequently, the future prospects of the resulting bank are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not lessen competition in the relevant market. Accordingly, the application is approved.

September 13, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST NATIONAL BANK OF ROCKY MOUNT, Rocky Mount, Va., and The First National Bank of New Castle, New Castle, Va.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
The First National Bank of New Castle, New Castle, Va. (10993), with	$11,232,000	1	
and The First National Bank of Rocky Mount, Rocky Mount, Va. (16406), which had	33,772,000	3	
merged November 1, 1983, under the charter and title of the latter. The merged bank at date of merger had			4

COMPTROLLER'S DECISION

On May 4, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge The First National Bank of New Castle, New Castle, Va. (FNB-New Castle), into The First National Bank of Rocky Mount, Rocky Mount, Va. (FNB-Rocky Mount). The application is based on an agreement finalized between FNB-New Castle and FNB-Rocky Mount on December 8, 1982.

FNB-Rocky Mount, chartered in 1974, had total assets of $26.8 million and total deposits of $24.5 million on December 31, 1982. FNB-Rocky Mount operates two offices, both located in Franklin County.

FNB-New Castle, chartered in 1917, had total assets of $10.1 million and total deposits of $9.2 million on December 31, 1982. FNB-New Castle operates one office located in Craig County.

FNB-New Castle's relevant geographic market consists of the Town of New Castle and the surrounding area of Craig County. FNB-Rocky Mount's relevant geographic market consists of Franklin County where it operates its main office and one branch. The two markets are not adjacent and FNB-Rocky Mount's nearest office is located 35 miles from the branch office of FNB-New Castle. The two banks do not compete directly. The proposed merger will merely replace one competitor in Craig County with a stronger, more viable competitor and competition will be enhanced.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. The proposed merger will provide FNB-New Castle with greater resources to more effectively meet the banking needs of its community and FNB-Rocky Mount will be able to provide its expanded and more efficient line of banking services to the New Castle-Craig County Market.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the

* Asset figures are from the September 30, 1983, report of condition. Information as of date of consummation was not available at press time.

credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.
September 30, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST NATIONAL BANK OF VIRGINIA,
Virginia, Minn., and First State Bank of Babbitt, Babbitt, Minn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First State Bank of Babbitt, Babbitt, Minn., with	$ 13,063,000	1	
and The First National Bank of Virginia, Virginia, Minn. (6527), which had	104,509,000	1	
consolidated November 1, 1983, under charter and title of the latter. The consolidated bank at date of consolidation had			2

COMPTROLLER'S DECISION

First State Bank of Babbitt and The First National Bank of Virginia are majority-owned and controlled by First Bank System, Inc., Minneapolis, Minn., a registered bank holding company. This proposed consolidation is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

* Asset figures are from the September 30, 1983, report of condition. Information as of date of consummation was not available at press time.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the bank's records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the consolidation.
September 28, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FLORIDA NATIONAL BANK,
Jacksonville, Fla., and Tropic Bank of Seminole, Casselberry, Fla.

Names of banks and type of transaction	Total assets	Banking offices In operation	Banking offices To be operated
Tropic Bank of Seminole, Casselberry, Fla., with	$ 23,656,000	3	
and Florida National Bank, Jacksonville, Fla. (8321), which had	3,350,762,000	19	
merged November 1, 1983, under charter and title of the latter. The merged bank at date of merger had	3,372,299,000		22

COMPTROLLER'S DECISION

On June 29, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge Tropic Bank of Seminole, Casselberry, Fla. (Tropic), into Florida National Bank, Jacksonville, Fla. (FNB). The application is based on an agreement finalized between Tropic and FNB on May 16, 1983.

FNB, chartered in 1906, is a subsidiary of Florida National Banks of Florida, Inc., the fourth largest bank holding company in the state with $3.5 billion in assets and 25 banks operating 104 offices in 25 counties as of December 31, 1982. On July 1, 1983, 16 subsidiary banks merged into FNB, making FNB the largest bank in Florida with total assets of $3.2 billion and 95 banking offices operating in 22 counties throughout the state.

Tropic, chartered in 1972, is a wholly-owned subsidiary of Seminole Bancorporation. Tropic had total assets of $24 million and total deposits of $21 million as of December 31, 1982. Tropic operates three offices, all located in Seminole County.

Tropic's relevant geographic market consists of Seminole County and a portion of the southeast section of Orlando located in Orange County. The market includes the cities of Sanford, Winter Park and Altamonte Springs in Orange County and Casselberry, Winter Springs and Longwood in Seminole County. As of December 31, 1982, there were 120 commercial banking offices and 16 savings and loan offices in the designated market area. FNB does not have any offices in Seminole County but does have 6 offices in the southeast Orlando market. FNB controls 6.1 percent of the commercial bank deposits in the market. Tropic has 3 offices and controls .8 percent of the commercial bank deposits. Subsequent to consummation of the merger, FNB would remain the fifth largest commercial bank in the market with 6.9 percent of the commercial bank deposits. The competitive impact will be minimal and would have no adverse effect on competition. Tropic will be replaced with a larger and stronger institution and competition will be enhanced.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. Tropic will be provided with greater resources to more effectively meet the banking needs of its community and the Casselberry community will have an expanded and more efficient line of banking services through affiliation with a larger commercial bank.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicant's records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.
September 21, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE NATIONAL BANK OF COMMERCE OF JACKSON,
Jackson, Tenn., and The First National Bank of Gibson County, Humboldt, Tenn.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Gibson County, Humboldt, Tenn. (15056), with	$ 27,882,589	3	
and The National Bank of Commerce of Jackson, Jackson, Tenn. (12790), which had	125,997,197	6	
merged November 1, 1983, under charter and title of the latter. The merged bank at date of merger had	153,879,795		9

COMPTROLLER'S DECISION

The First National Bank of Gibson County and The National Bank of Commerce of Jackson are majority-owned and controlled by Tennessee Commerce Corporation, Jackson, Tenn., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the bank's records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
September 26, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE OLD NATIONAL BANK OF MARTINSBURG,
Martinsburg, W. Va., and Suburban National Bank of Martinsburg, Martinsburg, W. Va., and The New Old Bank of Martinsburg, Martinsburg, W. Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Suburban National Bank of Martinsburg, Martinsburg, W. Va. (16134), with	$14,304,000	1	
The Old National Bank of Martinsburg, Martinsburg, W. Va. (6283), with	80,186,000	1	
and The New Old National Bank of Martinsburg, Martinsburg, W. Va. (6283), which had		0	
merged November 1, 1983, under charter of the latter and title of "The Old National Bank of Martinsburg." The merged bank at date of merger had			2

COMPTROLLER'S DECISION

The New Old National Bank of Martinsburg is being organized by Old National Bancorp, Inc., Martinsburg, W. Va., a bank holding company. The merger of The Old National Bank of Martinsburg and Suburban National Bank of Martinsburg into The New Old National Bank of Martinsburg is a part of a process whereby Old National Bancorp, Inc. will acquire 100 percent (less directors' qualifying shares) of The Old National Bank of Martinsburg and Suburban National Bank of Martinsburg.

The merger is a vehicle for a bank holding company acquisition and combines a non-operating bank with two existing commercial banks. The existing banks are affiliated through common ownership and management, and therefore, the proposal presents no

* [illegible]

competitive issues under the Bank Merger Act, 12 USC 1828(c).

The financial and managerial resources of the banks and the future prospects of the resulting bank are favorable. After the merger, the resulting bank will be in the position to draw on the financial and managerial resources of its new corporate parent. This will permit it to more effectively serve the convenience and needs of its community.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their entire community, including low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.
September 30, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which The New Old National Bank of Martinsburg (org.) would become a subsidiary of Old National Bancorp, Inc., a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Old National Bancorp, Inc., it would have no effect on competition.

* * *

FIRST SECURITY BANK OF IDAHO, NATIONAL ASSOCIATION, Boise, Idaho, and Butte County Bank, Arco, Idaho

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Butte County Bank, Arco, Idaho, with	$ 12,983,000	1	
and First Security Bank of Idaho, National Association, Boise, Idaho (14444), which had	1,660,191,000	69	
merged November 5, 1983, under charter and title of the latter. The merged bank at date of merger had			70

COMPTROLLER'S DECISION

On April 28, 1983, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Butte County Bank, Arco, Idaho (Butte) into First Security Bank of Idaho, National Association, Boise, Idaho (First). The application is based upon a written agreement executed by the banks on March 22, 1983.

As of December 31, 1982, First held total deposits of $1.2 billion and operated 69 offices in Idaho. First is a majority-owned subsidiary of First Security Corporation, a grandfathered multi-state bank holding company operating four subsidiary banks, two in Utah and one each in Idaho and Wyoming. At year-end 1982, First Security Corporation held consolidated deposits of $3.3 billion.

As of the same date, Butte held total deposits of $14 million. Butte is an independent, unit bank.

The proponents do not currently compete directly and, therefore, consummation of the proposal will not have a significant effect on competition in the relevant geographic market. The relevant geographic market for this proposal is Butte County and the eastern portion of Custer County. First's closest office is 59 miles distant. Accordingly, consummation of this proposal will merely substitute one competitor in the market with a significantly stronger institution.

It is noted that First does have another application pending with this Office to acquire Custer County Bank, Challis, Idaho. Challis is located in the western portion of Custer County and is approximately 78 miles from Arco. Butte and Custer County Bank do not compete directly with each other.

The Bank Merger Act requires this Office to consider

* Asset figures are from the September 30, 1983, report of condition. Information as of date of consummation was not available at press time.

The financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served: The financial and managerial resources of First are satisfactory and the future prospects are favorable. However, because of financial and managerial difficulties, Butte's present condition is less than satisfactory and its future prospects are not favorable. After consummation of the proposal, the resulting bank will be able to draw on the financial and managerial resources of First. Consequently, the future prospects of the resulting bank appear favorable, as do the expected effects of the proposed merger on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
September 29, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

PARK NATIONAL BANK OF KNOXVILLE,
Knoxville, Tenn., and First American National Bank of Knoxville, Knoxville, Tenn.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	*To be operated*
Park National Bank of Knoxville, Knoxville, Tenn. (2049), with	$615,789,000	14	______
and First American National Bank of Knoxville, Knoxville, Tenn. (17839), which had	102,800,000	6	______
merged November 5, 1983, under charter and title of the latter. The merged bank at date of merger had	718,589,000	______	20

COMPTROLLER'S DECISION

On June 14, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge Park National Bank of Knoxville, Knoxville, Tenn. (PNB), into First American National Bank of Knoxville, Knoxville, Tenn. (FANB). The application is based on an agreement finalized between PNB and FANB on March 21, 1983, and subsequently amended on July 22, 1983, August 5, 1983, and August 30, 1983.

FANB, chartered in 1964, converted to a national banking association on June 1, 1983. FANB is a wholly-owned subsidiary of First American Corporation, Tennessee's third largest banking organization with $[illegible] billion in assets and 10 banks with offices in 12 cities throughout the state. FANB had total assets of $[illegible] million and total deposits of $89 million as of March 31, 1983, and operated six offices in the [illegible]. PNB is an independent bank with total assets of $[illegible] million and total deposits of $158 million as of March 31, 1983. PNB operates 13 offices, all in Knox County.

The relevant geographic market for this proposal is considered to be the Knoxville Ranally Metro area, consisting of all of Knox County, the major populated portions of Anderson and Blount counties, and parts of Jefferson, Sevier, Loudon and Roane counties that are adjacent to Knox and Anderson counties. Both of First American Corporation's area banks, FANB and First American Bank of Anderson County, as well as PNB, are located within the Knoxville RMA. FANB draws approximately 83 percent of its deposits and 87 percent of its loans from the RMA, and PNB receives 90 percent of its deposits and 79 percent of its loans from the RMA.

There are 16 independent banking organizations and 12 separate thrift institutions operating 174 offices within the RMA. First Tennessee National Corporation is the largest financial organization with 25 percent of

the market's deposits. Home Federal Savings and Loan Association is the second largest depository institution with 14 percent of the market's deposits. PNB and Third National Corporation are next largest, each with 11 percent. However, Third National Corporation, with three subsidiaries in the market, is far larger in total resources than PNB. First American Corporation's two banks hold 4 percent of the market's deposits.

The combined institution will rank second in the market with 16 percent of the market's deposits. While the market may appear to be concentrated, any concentration analysis in the Knoxville RMA is distorted by the recent failures of five banks and their acquisition by First Tennessee, Third National and Bank of Oak Ridge. The 1982 deposit data do not reflect the outflow of deposits that First Tennessee, Third National and Bank of Oak Ridge have experienced in the wake of their acquisitions and the surrounding events.

Unlike First Tennessee and Third National, First American has not been able to establish the local business base necessary to make full competitive use of its resources in the Knoxville market. The merger of PNB and FANB will not significantly lessen competition; it will enhance the competitive structure of the Knoxville market by strengthening the capabilities of the combined bank to compete with the dominant firms within the already highly competitive Knoxville market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and the future prospects of the combined entity are good. The merger will provide FANB with the business base to become a more effective competitor within the Knoxville market and PNB will acquire access to the resources and expertise of a statewide banking organization. The combined entity will become a much stronger and more effective provider of financial services to the Knoxville community.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicant to proceed with the proposed merger.
October 6, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

CITIZEN'S NATIONAL BANK OF FAIRFIELD,
Fairfield, Conn., and South Norwalk New Bank, National Association, South Norwalk, Conn.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Citizen's National Bank of Fairfield, Fairfield, Conn. (16290), with	$28,554,918	2	
and South Norwalk New Bank, National Association, South Norwalk, Conn. (16290), which had	3,170,000	0	
merged November 7, 1983, under charter of the latter and title of the former. the merged bank at date of merger had	29,441,387		2

COMPTROLLER'S DECISION

On May 16, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge Citizen's National Bank of Fairfield, Fairfield, Conn. (Citizen's) into South Norwalk New Bank, National Association (Organizing), South Norwalk, Conn. (SNNB). The application is based on an agreement finalized between Citizen's, SNNB, and South Norwalk Savings Bank (parent of SNNB) on June 24, 1982.

As of December 31, 1982, Citizen's held total deposits of $22.3 million and operated through its main office and one branch in Fairfield, Fairfield County, Conn.

SNNB is a non-operating bank organized as an indirect subsidiary of South Norwalk Savings Bank (Savings Bank), a state-chartered mutual savings bank. As of December 31, 1982, Savings Bank held total deposits of $224.3 million and operated through 14 offices in southwestern Connecticut.

The relevant geographic market for this proposal is the area in and around Fairfield, including portions of western Bridgeport. It is from this area that Citizen's derives the bulk of its deposits. Savings Bank operates one branch in this area and derives less than 6 percent of its deposits from this area. Eight other savings and commercial banks operate in Fairfield itself and numerous banking alternatives exist in Bridgeport. Five financial institutions operating in Fairfield, other than Savings Bank and Citizen's, control over 80 percent of that market's deposits, each of which derives a larger share of the market's deposits than the participants. Although consummation of this proposal would eliminate one competitor from the market, competition would not be significantly impacted due to the relatively small size of the participants. Also, numerous banking alternatives exist, further evidence that consummation of this proposal would not significantly lessen competition.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The ability of Citizen's to continue to adequately meet the convenience and needs of its community is questionable. Difficulties in the loan portfolio have hampered the bank's earnings and its ability to effectively meet competition. Savings Bank has sufficient managerial and financial resources to address these issues thus enabling the resultant bank to compete more effectively in the marketplace.

Although the resultant bank will choose not to offer commercial loans, the convenience and needs of the service areas of the two institutions will be enhanced through economies of scale, pooling of resources, and the consolidation of management expertise. The future prospects of the resulting bank appear favorable as does its ability to further enhance its competitiveness in the market.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their entire communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act for the applicants to proceed with the merger.

October 5, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the Citizens National Bank of Fairfield would become a subsidiary of South Norwalk Corporation, a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by South Norwalk Corporation, it would have no effect on competition.

* * *

CITIZENS NATIONAL BANK OF ST. ALBANS,
St. Albans, W. Va., and The Citizens National Bank of St. Albans, St. Albans, W. Va.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Citizens National Bank of St. Albans, St. Albans, W. Va. (15777), with	$53,205,000	1	
was purchased November 7, 1983, by The Citizens National Bank of St. Albans, St. Albans, W. Va. (17987), which had	240,000	0	
After the purchase was effected, the receiving bank had			1

COMPTROLLER'S DECISION

The Citizens National Bank of St. Albans is being organized by Centurian Bancorp., Inc., Charleston, W. Va., a bank holding company. This proposed transaction is a part of a process whereby Centurian Bancorp., Inc. will acquire 100 percent (less directors' qualifying shares) of Citizens National Bank of St. Albans.

The transaction is a vehicle for a bank holding company acquisition and combines a non-operating bank with an existing commercial bank. As such, it presents no competitive issues under the Bank Merger Act, 12 USC 1828(c).

The financial and managerial resources of both banks and the future prospects of the resulting bank are favorable. After the transaction, the resulting bank will be in the position to draw on the financial and managerial resources of its new corporate parent. This will permit it to more effectively serve the convenience and needs of its community.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicant's record of helping to meet the credit needs of its entire community, including low and moderate income neighborhoods, is less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed transaction.
September 28, 1983

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST NATIONAL BANK & TRUST COMPANY OF QUINCY,
Quincy, Ill., and Community National Bank of Quincy, Quincy, Ill.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Community National Bank of Quincy, Quincy, Ill. (15920), with	$19,115,000	1	
and First National Bank & Trust Company of Quincy, Quincy, Ill. (14564), which had	86,146,000	2	
merged November 7, 1983, under charter and title of the latter. The merged bank at date of merger had			3

COMPTROLLER'S DECISION

Community National Bank of Quincy and First National Bank & Trust Company of Quincy are majority-owned and controlled by First Midwest Bancorp, Inc., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

* Asset figures are from the September 30, 1983, report of condition. Information as of date of consummation was not available at press time.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger
October 5, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

CAPITAL NATIONAL BANK OF NEW YORK,
New York, N.Y., and One Branch of American Savings Bank, New York, N.Y.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
One Branch of American Savings Bank, New York, N.Y., with	$3,228,181,000	1	
was purchased November 10, 1983, by Capital National Bank of New York, New York, N.Y. (16479), which had	34,963,000	1	
After the purchase was effected, the receiving bank had			2

COMPTROLLER'S DECISION

On June 16, 1982, an application was filed by Capital National Bank of New York, N.Y. (CNB), for authority to purchase certain of the assets and assume certain of the liabilities of a branch office of American Savings Bank, New York, N.Y. (American), located at 602 West 137th (137th Street Office). The application is based on a Purchase and Assumption Agreement finalized between CNB and American on April 6, 1983

As of March 31, 1983, CNB held total deposits of $27.8 million and operated only one office. As of the same date the 137th Street Office held total deposits of $19.5 million, of which all but $163,000 will be assumed pursuant to this transaction

The proponents currently do not compete directly, and as such, consummation of this proposal will have no significant effect on existing competition in the relevant geographic market. The service area for the 137th Street Office of American is a 34-square block area of Manhattan between the Hudson River and the campus of the College of the City of New York. This area is considered to be the relevant geographic market for this proposal.

[illegible]

Two other banks have offices situated in the market. Three additional competitors are located outside of the market but hold substantial deposits in the market, including branch offices of two major New York banks. The 137th Street Office is ranked fourth among market participants, with 11.3 percent of market deposits.

CNB does not compete within the market. The only office of CNB is located 3 miles north of the 137th Street Branch, and its market is not contiguous or adjacent to the relevant market for this proposal. Consequently, the proposed transaction will simply replace one competitor in the market with another, while allowing CNB to enter a market where it currently does not compete directly

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. Consummation of the proposed acquisition will provide the resulting bank with an expanded market area and will provide residents of the market area with access to a bank with an established relationship to Hispanic communities. Consequently, the future prospects of the resulting bank are favorable, as are the expected

effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act, 12 USC 1828 (c), for the applicants to proceed with the proposed merger.
October 4, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST NATIONAL BANK IN PIERRE,
Pierre, S. Dak., and Miners and Merchants Bank, Lead, S. Dak.

Names of banks and type of transaction	*Total assets**	*Banking offices: In operation*	*Banking offices: To be operated*
Miners and Merchants Bank, Lead, S. Dak., with	$14,347,000	2	
and First National Bank in Pierre, Pierre, S. Dak. (14252), which had	41,482,000	2	
merged November 11, 1983, under charter and title of the latter. The merged bank at date of merger had			4

COMPTROLLER'S DECISION

On February 16, 1983, application was made to the Office of the Comptroller of the Currency for authorization to merge Miners and Merchants Bank, Lead, S. Dak. (Miners Bank) and First National Bank in Pierre, Pierre, S. Dak. (Pierre National) under the charter and title of the latter. The application is based on an agreement finalized between the two banks on December 23, 1982.

As of December 31, 1982, Pierre National had total assets of approximately $40 million and total deposits approaching $36 million. The bank's main office is in Pierre with one branch office operated in the same city. On September 10, 1982, 97 percent of the bank's outstanding common stock was acquired by Capitol Bancorporation, Inc. (Capitol), a one-bank holding company. As of December 31, 1982, Miners Bank had approximately $15 million in total assets and $14 million in total deposits. The main office is located in Lead and a branch office in Whitewood. Eighty-nine percent of the stock of Miners Bank is owned by West Dakota Corporation, a one-bank holding company. These two holding companies have common ownership, and in conjunction with the merger of the banks, an application to merge the holding companies has been filed with the Federal Reserve. Capitol Bancorporation, Inc. is listed as the surviving company.

The applicant banks operate in two different geographic markets. The towns of Pierre and Lead are approximately 215 miles apart and do not share common markets. Subsequent to the merger, total deposits of Capitol will amount to .73 percent of the total commercial bank deposits in the state. Consummation of the merger will not have a significant effect on competition.

The merger of these two banks will expand Capitol's scope of operations, via First National Bank in Pierre, to a larger territory. Benefits will accrue to customers of both banks involved. First, Miners Bank will benefit from the managerial expertise provided by First National. Second, the increased size of the resultant bank will mean expanded services available to all the banks' customers. Third, the merger will enhance the resultant bank's ability to compete through cost reductions, pooling of resources, and economies of scale.

In accordance with the requirements of the Bank Merger Act, this Office has considered the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served.

A review of the record of this application and other information available to the Office as a result of its regulatory responsibilities revealed no evidence that

* Asset figures are from the September 30, 1983, report of condition. Information as of date of consummation was not available at press time.

the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not have a significant effect on competition in the relevant market. Accordingly, the application is approved.
June 8, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST NATIONAL BANK OF BIRMINGHAM,
Birmingham, Ala., and The City National Bank of Selma, Selma, Ala.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The City National Bank of Selma, Selma, Ala. (1736), with	$ 55,053,000	2	
and The First National Bank of Birmingham, Birmingham, Ala. (3185), which had	3,202,022,000	97	
merged November 11, 1983, under charter of the latter and with the title "AmSouth Bank, National Association." The merged bank at date of merger had	3,257,075,000		99

The Comptroller's Decision and the Summary of Report by Attorney General can be found on p. 132.

* * *

NATIONAL CITY BANK,
Cleveland, Ohio, and First National Bank of Elyria, Elyria, Ohio

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
First National Bank of Elyria, Elyria, Ohio (14968), with	$ 62,982,000	5	
and National City Bank, Cleveland, Ohio (786), which had	3,858,101,000	58	
merged November 12, 1983, under charter and title of the latter. The merged bank at date of merger had	3,904,341,000		63

COMPTROLLER'S DECISION

National City Bank and First National Bank of Elyria are majority-owned and controlled by National City Corporation, Cleveland, Ohio, a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why the application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
July 25, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST NATIONAL BANK OF BIRMINGHAM,
Birmingham, Ala., and The First National Bank of Autauga County, Prattville, Ala.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Autauga County, Prattville, Ala. (16219), with	$ 17,150,000	1	
and The First National Bank of Birmingham, Birmingham, Ala. (3185), which had	3,257,939,000	99	
merged November 18, 1983, under charter of the latter and with the title "AmSouth Bank, National Association." The merged bank at date of merger had	3,275,089,000		100

The Comptroller's Decision and the Summary of Report by Attorney General can be found on p 132

* * *

BANK OF BOSTON-BRISTOL, NATIONAL ASSOCIATION,
New Bedford, Mass., and Fall River Trust Company, Fall River, Mass.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Fall River Trust Company, Fall River, Mass., with	$116,798,725	14	
and Bank of Boston-Bristol, National Association, New Bedford, Mass. (17578), which had	123,473,055	2	
merged November 21, 1983, under charter and title of the latter. The merged bank at date of merger had	240,271,780		16

COMPTROLLER'S DECISION

On March 14, 1983, application was made to the Office of the Comptroller of the Currency to merge Fall River Trust Company, Fall River, Mass. (FRTC), into Bank of Boston-Bristol, National Association, New Bedford, Mass. (BOBB) under charter and title of the latter. The application is based upon an agreement finalized between the banks on February 10, 1983.

As of June 30, 1982, BOBB, a subsidiary of Bank of Boston Corporation, held total deposits of $71.2 million and operated four offices, three in New Bedford and one in the adjacent town of Acushnet, all in southeastern Bristol County. In addition, BOBB has approved but unopened branches in Taunton and Attleboro in northern Bristol County. BOBB is the only subsidiary of Bank of Boston Corporation operating within Bristol County. As of the same date FRTC held total deposits of $94.0 million and operated 10 offices, six within Fall River and one each in the towns of Somerset, Swansea, Westport and Assonet. All of FRTC's offices are in southwestern Bristol County.

The relevant geographic market for this proposal is the city of Fall River and its contiguous communities, *i e* the area around FRTC's branch offices. Although both banks operate entirely within Bristol County, there is no evidence of any significant direct competition. Neither institution has branches in communities served by the other and each serves distinct markets. FRTC serves Fall River and the southwestern portion of the county and BOBB serves New Bedford and the southeastern portion of the county. BOBB derives less than 3 percent of its deposits from the areas served by branches of FRTC, an area where FRTC derives over 85 percent of its deposits. Conversely, FRTC derives less than 3 percent of its deposits from the area served by branches of BOBB, an area where BOBB derives over 80 percent of its deposits. In addition, the distance between the closest office of FRTC to an office of BOBB is over 6 miles and numerous other commercial banks and thrift institutions operate in southern Bristol County. BOBB could establish a branch in Fall River but finds this alternative unrealistic and not economically practical.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find the financial and managerial resources of the banks to be satisfactory. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effects of the proposed merger on the convenience and needs of the community to be served.

A review of the record of this application [illegible] information available to this Office [illegible]

regulation, despite the files revealed no evidence that the bank's record of helping to meet the credit needs of their entire communities, including low and moderate income neighborhoods, are less than satisfactory

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger
October 20, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST NATIONAL BANK OF OAKLAND,
Oakland, Md., and Cumberland Savings Bank, Cumberland, Md.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Cumberland Savings Bank, Cumberland, Md., with	$ 58,146,000	4	
and The First National Bank of Oakland, Oakland, Md. (5623), which had	131,709,000	9	
merged November 21, 1983, under charter and title of the latter. The merged bank at date of merger had			13

COMPTROLLER'S DECISION

On May 26, 1983, an application was filed with the Office of the Comptroller of the Currency to merge Cumberland Savings Bank, Cumberland, Md. (CSB), into The First National Bank of Oakland, Oakland, Md (FNB-Oakland) This application is based on an Agreement to Merge finalized between CSB and FNB-Oakland on April 20, 1983

As of March 31, 1983, CSB held total deposits of $44.7 million and operated four offices On the same date, FNB-Oakland held total deposits of $110.3 million in nine offices Both CSB and FNB-Oakland are independent banks

All four offices of CSB are located in Cumberland and adjacent LaVale These two towns and Frostburg, situated 5 miles east of LaVale, are all located along the interstate highway and constitute Allegany County's only population center Consequently, Allegany County is considered to be the relevant geographic market for this proposal FNB Oakland is headquartered in Garrett County, however, three FNB-Oakland branch offices are located in towns immediately over the county line in the southwestern corner of Allegany County. The nearest office of FNB Oakland to CSB is [illegible] southwest of LaVale.

[illegible]

Seven banks compete within the relevant geographic market, of which the CSB is ranked third, with a 13.3 percent share of market deposits. The three branches of FNB-Oakland hold 7.2 percent of deposits and are ranked sixth in the market. The largest bank is a statewide organization which holds 33 percent of the market's commercial bank deposits. In addition, the market's largest financial institution is a statewide savings and loan holding aggregate deposits in the market which approximate those held by the two largest bank competitors.

FNB-Oakland's three Allegany County offices represent primarily services to the western part of Garrett County and do not constitute a significant competitor in the Cumberland area. Some direct competition will be eliminated by this proposal However, the resulting bank, while still ranking third in the market, would be able to provide more effective competition to the three dominant financial institutions Overall, consummation of this proposal should not have a significant negative impact on competition in the market

The Bank Merger Act requires this Office to consider the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served The financial and managerial resources of both banks are considered satisfactory Consummation of the proposed merger will provide the resulting

bank with a higher legal lending limit which will better enable it to serve the commercial needs of the Cumberland area. Consequently, the future prospects of the resulting bank are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the proposed merger.
October 13, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

SOUTHTRUST BANK OF CALHOUN COUNTY, NATIONAL ASSOCIATION, Anniston, Ala., and SouthTrust Bank of Piedmont, National Association, Piedmont, Ala.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
SouthTrust Bank of Piedmont, National Association, Piedmont, Ala. (7464), with	$ 31,239,762	1	
and SouthTrust Bank of Calhoun County, National Association, Anniston, Ala. (3041), which had	161,849,047	7	
merged November 21, 1983, under charter and title of the latter. The merged bank at date of merger had	193,088,809		8

COMPTROLLER'S DECISION

SouthTrust Bank of Piedmont, National Association and SouthTrust Bank of Calhoun County, National Association are majority-owned and controlled by SouthTrust Corporation, Birmingham, Ala., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
October 12, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST NATIONAL BANK OF ATLANTA,
Atlanta, Ga., and Bank of Commerce, Americus, Ga.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Bank of Commerce, Americus, Ga., with	$ 59,036,000	2	______
and The First National Bank of Atlanta, Atlanta, Ga. (1559), which had	4,613,761,000	83	______
merged November 30, 1983, under charter and title of the latter. The merged bank at date of merger had	4,642,565,000	______	85

COMPTROLLER'S DECISION

On April 20, 1983, application was made to the Office of Comptroller of the Currency pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge Bank of Commerce, Americus, Ga. (BOC), into The First National Bank of Atlanta, Atlanta, Ga. (First). The application is based on a written agreement executed by the banks on October 30, 1982.

First, established in 1865, is a wholly owned subsidiary of First Atlanta Corporation, the third largest bank holding company in Georgia. First had total assets of $4,018 million as of December 31, 1982, and operated 85 banking offices in Fulton, DeKalb, Cobb, Clayton, Richmond, Bibb, Houston and Hall counties. First is prohibited from branching in any other counties except through acquisition of an existing bank.

BOC, established in 1891, is the largest of four commercial banks and two savings and loans in Sumter County. BOC had total assets of $54 million as of December 31, 1982 and operated two banking offices, both in Sumter County.

The relevant geographic market of BOC is Sumter County, located 135 miles south of Atlanta in southwest Georgia. More than 95 percent of BOC's loans and deposits are derived from Sumter County. First derives only .1 percent of its deposits and only .7 percent of its loans from Sumter County. First's nearest office to BOC is its Russell Parkway Office located in Warner Robins, 60 miles from BOC's Tripp Street office in Americus, Sumter County. Competition between the two banks is negligible and the merger will not diminish existing competition in BOC's market but will replace one competitor with another, more substantial competitor. The offices of the resulting bank in the Sumter County market will become more competitive as a result of the expanded services and resources available from First.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." The financial and managerial resources of both BOC and First are satisfactory and the future prospects of the combined entity are good. With greater capital and managerial resources, the resulting bank will become a more effective competitor in the Sumter County market and the customers of BOC will be provided with added convenience through a full line of banking services which will be available through a large commercial bank.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including the low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.
June 27, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

BARNETT BANK OF PINELLAS COUNTY, NATIONAL ASSOCIATION,
Clearwater, Fla., and Great American Bank of Pinellas, Clearwater, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Great American Bank of Pinellas, Clearwater, Fla., with	$ 36,811,403	1	
and Barnett Bank of Pinellas County, National Association, Clearwater, Fla. (14714), which had	317,443,380	11	
consolidated December 1, 1983, under charter and title of the latter. The consolidated bank at date of consolidation had	354,254,783		12

COMPTROLLER'S DECISION

Barnett Bank of Pinellas County, National Association and Great American Bank of Pinellas are majority-owned and controlled by Barnett Banks of Florida, Inc., Jacksonville, Fla., a registered bank holding company. This proposed consolidation is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the consolidation.

October 6, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not be significantly adverse to competition.

* * *

THE CONNECTICUT NATIONAL BANK,
Hartford, Conn., and The Mattatuck Bank and Trust Company, Waterbury, Conn.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Mattatuck Bank and Trust Company, Waterbury, Conn., with	$ 92,679,000	5	
and The Connecticut National Bank, Hartford, Conn. (1338), which had	4,252,492,000	118	
merged December 1, 1983, under charter and title of the latter. The merged bank at date of merger had	4,345,171,000		123

COMPTROLLER'S DECISION

The Mattatuck Bank and Trust Company and The Connecticut National Bank are majority-owned and controlled by Hartford National Corporation, Hartford, Conn., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods are less than satisfactory

This is the prior written approval required by the Bank Merger Act (12 USC 1828(c)) for the applicants to proceed with the merger.
October [illegible], 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST CITIZENS NATIONAL BANK,
Tupelo, Miss., and One Branch of Bank of Mantee, Mantee, Miss.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
One Branch of Bank of Mantee, Mantee, Miss., with	$ 43,414,000	1	
was purchased December 1, 1983, by First Citizens National Bank, Tupelo, Miss. (15479), which had	179,664,000	15	
After the purchase the receiving bank had			16

COMPTROLLER'S DECISION

On August 29, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization for First Citizens National Bank, Tupelo, Miss (FCNB), to purchase the assets and assume the liabilities of the Starkeville Branch of Bank of Mantee, Mantee, Miss (BOM) The application is based on an agreement finalized between FCNB and BOM on August 1, 1983

FCNB had total assets of $180 million and total deposits of $158 million as of June 30, 1983. FCNB operates 15 offices located in Lee, Itawamba, Chickasaw, Tishomingo, Prentiss and Lowndes counties

The Starkeville Branch of BOM had total assets of $6 2 million and total deposits of $2 4 million as of December 31, 1982

The main office and the Starkeville Branch of Bank of Mantee operate in the same relevant geographic market which consists of Choctaw, Oktibbeha and Webster counties. BOM, with total market deposits of $2[illegible] million, is the fifth largest of six banking organizations and controls 7 5 percent of the market's deposits. FCNB does not compete in BOM's market, its nearest office is 22 miles northeast of Lowndes County. Consummation of the proposal would enhance competition by increasing the number of banking organizations competing in the market

[illegible] September 30, 1983 [illegible]

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served " The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. The Starkeville bank will be provided with greater resources to more effectively meet the banking needs of the community and FCNB will be afforded an entry into a new banking market where it can provide an expanded and more efficient line of banking services.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicant to proceed with the proposed purchase of assets and assumption of liabilities
October 31, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

* * *

THE FIRST NATIONAL BANK OF BIRMINGHAM,
Birmingham, Ala., and The Alabama National Bank of Montgomery, Montgomery, Ala.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Alabama National Bank of Montgomery, Montgomery, Ala. (12993), with	$ 227,462,000	5	
and The First National Bank of Birmingham, Birmingham, Ala. (3185), which had	3,195,099,000	100	
merged December 9, 1983, under charter of the latter and with the title "AmSouth Bank, National Association." The merged bank at date of merger had	3,422,561,000		105

The Comptroller's Decision and the Summary of Report by Attorney General can be found on p. 132.

* * *

CITY BANK,
St. Louis, Mo., and American National Bank in St. Louis, St. Louis, Mo.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
City Bank, St. Louis, Mo., with	$ 99,387,348	1	
and American National Bank in St. Louis, St. Louis, Mo. (13726), which had	86,435,621	2	
merged December 15, 1983, under charter of the latter and title of "CharterBank St. Louis National Association." The merged bank at date of merger had	184,961,179		3

COMPTROLLER'S DECISION

American National Bank in St. Louis and City Bank are majority-owned and controlled by CharterCorp, Inc., Kansas City, Mo., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
November 15, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Canton Exchange Bank, Canton, Miss., with	$ 93,522,000	5	
was purchased December 15, 1983, by First National Bank of Jackson, Jackson, Miss. (10523), which had	1,599,215,000	46	
After the purchase was effected the receiving bank had			51

COMPTROLLER'S DECISION

On September 13, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization for First National Bank of Jackson, Jackson, Miss. (FNB), to purchase the assets and assume the liabilities of Canton Exchange Bank, Canton, Miss. (CEB). The application is based on an agreement finalized between FNB and CEB on August 30, 1983.

FNB, a subsidiary of First Capital Corporation, is the second largest bank in the state of Mississippi with total assets of $1.5 billion and total deposits of $1.2 billion as of June 30, 1983. FNB operates 48 offices located in 11 counties in eight different markets within a 100-mile radius of its home office.

CEB had total assets of $93 million and total deposits of $85 million as of June 30, 1983. CEB operates five offices located in Canton, Madison and Ridgeland, all in Madison County.

CEB's relevant geographic market consists of the Jackson MSA which includes Hinds, Rankin and Madison counties. There are 18 commercial banks operating 105 offices with $2.1 billion in deposits and nine savings and loans operating 32 offices with $605 million in deposits in the market. As of June 30, 1982, FNB operated 19 offices with $678 million in deposits and 25.3 percent of the market share and CEB operated five offices with $69 million in deposits and 2.6 percent of the market's deposits. FNB and CEB actually have very little competitive overlap in the relevant market. CEB's five offices are all located in Madison County and FNB's new county line office, just opened in 1983, is its only office in Madison County.

FNB is the second largest commercial bank and CEB is the fifth largest in the market. The combined institution will remain the second largest with 27.9 percent of the market's deposits. Although a competitor will be eliminated, FNB's market percentage will only increase 2.6 percent and 17 competitors will remain. The significance of deregulation and the resulting competition among banks and savings and loan associations indicates the competitive impact will be minimal and will have no adverse effect on competition in the relevant market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. CEB will be provided with expanded resources which will enable it to compete more effectively and to provide a better and more complete range of banking services to meet the needs and convenience of its community.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicant to proceed with the proposed purchase of assets and assumption of liabilities.

November 14, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

* Asset figures are as of the September 30, 1983 report of condition. [illegible] was not available at press time.

JACKSONVILLE NATIONAL BANK,
Jacksonville, Fla., and Ellis National Bank of Jacksonville, Jacksonville, Fla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Jacksonville National Bank, Jacksonville, Fla. (14953), with	$107,596,000	1	
was purchased December 16, 1983, by Ellis National Bank of Jacksonville, Jacksonville, Fla. (18022), which had	11,700,000	0	
After the purchase was effected the receiving bank had			1

COMPTROLLER'S DECISION

Ellis National Bank of Jacksonville is being organized by Ellis Banking Corporation, Bradenton, Fla., a bank holding company. The purchase of assets and assumption of liabilities of Jacksonville National Bank by Ellis National Bank of Jacksonville is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institution and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicant's record of helping to meet the credit needs of its entire community, including low and moderate income neighborhoods, is less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed purchase.
November 29, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the Ellis National Bank of Jacksonville (org.) would become a subsidiary of Ellis Banking Corporation, a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Ellis Banking Corporation, it would have no effect on competition.

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time

* * *

KEY BANK,
Jamestown, N.Y., and Key Bank of Western New York, N.A., Wellsville, N.Y.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Key Bank, Jamestown, N.Y., with	$264,900,664	24	
and Key Bank of Western New York, N.A., Wellsville, N.Y. (4988), which had	127,315,259	8	
merged December 16, 1983, under charter of the latter and title "Key Bank of Western New York National Association," with headquarters in Jamestown. The merged bank at date of merger had	390,790,923		32

COMPTROLLER'S DECISION

Key Bank and Key Bank of Western New York, N.A. are majority-owned and controlled by Key Banks, Inc., Albany, N.Y., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks records of helping to meet the credit needs of the

communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
November 18, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST BUCKEYE BANK, NATIONAL ASSOCIATION, Mansfield, Ohio, and The Willard United Bank, Willard, Ohio

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
The Willard United Bank, Willard, Ohio, with	$ 85,338,000	7	———
and First Buckeye Bank, National Association, Mansfield, Ohio (2577), which had	308,662,000	1	———
merged December 19, 1983, under charter and title of the latter. The merged bank at date of merger had		———	8

COMPTROLLER'S DECISION

First Buckeye Bank, National Association and The Willard United Bank are majority-owned and controlled by Toledo Trustcorp, Inc., Toledo, Ohio, a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

* Asset figures are from the September 30, 1983, report of condition. Information as of date of consummation was not available at press time.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
November 14, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

BOATMEN'S UNION NATIONAL BANK OF SPRINGFIELD, Springfield, Mo., and Boatmen's Springfield National Bank, Springfield, Mo.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Boatmen's Springfield National Bank, Springfield, Mo. (15793), with	$ 50,980,000	2	
and Boatmen's Union National Bank of Springfield, Springfield, Mo. (5209), which had	310,552,000	3	
merged December 30, 1983, under charter of the latter and title of "The Boatmen's National Bank of Springfield." The merged bank at date of merger had			5

COMPTROLLER'S DECISION

Boatmen's Springfield National Bank and Boatmen's Union National Bank of Springfield are majority-owned and controlled by Boatmen's Bancshares, Inc., St. Louis, Mo., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

* Asset figures are from the September 30, 1983, report of condition Information as of date of consummation was not available at press time

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
November 30, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

UNION PLANTERS NATIONAL BANK OF MEMPHIS, Memphis, Tenn., and Bank of Eagleville, Eagleville, Tenn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Bank of Eagleville, Eagleville, Tenn., with	$ 8,302,000	1	
and Union Planters National Bank of Memphis, Memphis, Tenn. (13349), which had	1,618,255,000	56	
merged December 30, 1983, under charter of the latter and with the title "Union Planters National Bank." The merged bank at date of merger had	1,724,895,000		57

COMPTROLLER'S DECISION

Bank of Eagleville and Union Planters National Bank of Memphis are wholly-owned subsidiaries of Union Planters Corporation, Memphis, Tenn., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

* Several transactions were consummated simultaneously, thus asset figures for Union Planters National Bank are for the beginning and end of the day

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their

communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger, subject to the condition noted in a separate communication to Union Planters National Bank.
November 29, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

UNION PLANTERS NATIONAL BANK OF MEMPHIS,
Memphis, Tenn., and The National Bank of Commerce of Jackson, Jackson, Tenn.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
The National Bank of Commerce of Jackson, Jackson, Tenn. (12790), with	$ 147,233,000	9	
and Union Planters National Bank of Memphis, Memphis, Tenn. (13349), which had	1,618,255,000	47	
merged December 30, 1983, under charter of the latter and with the title of "Union Planters National Bank." The merged bank at date of merger had	1,724,895,000		56

COMPTROLLER'S DECISION

The National Bank of Commerce of Jackson is a subsidiary of Tennessee Commerce Corporation, Jackson, Tenn. (TCC). TCC and Union Planters National Bank of Memphis are wholly-owned subsidiaries of Union Planters Corporation, Memphis, Tenn., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

*Several transactions were consummated simultaneously, thus asset figures for Union Planters National Bank are for the beginning and end of the day.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger, subject to the condition noted in a separate communication to Union Planters National Bank.
November 29, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

VIRGINIA NATIONAL BANK,
Norfolk, Va., and First & Merchants National Bank, Richmond, Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First & Merchants National Bank, Richmond, Va. (1111), with	$2,839,934,000	113	
and Virginia National Bank, Norfolk, Va. (9885), which had	4,014,760,000	162	
merged December 30, 1983, under charter of the former and with title of "Sovran Bank, National Association," with headquarters in Richmond. The merged bank at date of merger had			275

COMPTROLLER'S DECISION

On June 22, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge The First & Merchants National Bank, Richmond, Va. (F&M), into Virginia National Bank, Norfolk, Va. (VNB). The application is based on an agreement finalized between F&M and VNB on April 22, 1983.

VNB is the principal and only banking subsidiary of Virginia National Bankshares, Inc. (Bankshares), and is the second largest bank in Virginia, with total assets of $3.8 billion and total deposits of $3.1 billion as of March 31, 1983 VNB operates 195 offices throughout the Commonwealth of Virginia.

F&M is the principal subsidiary of First & Merchants Corporation (F&M Corp.), and is the fifth largest banking organization in Virginia, with total assets of $2.7 billion and total deposits of $2.1 billion as of March 31, 1983. F&M operates 113 offices throughout the Commonwealth of Virginia. F&M Corp. acquired The Wise County National Bank (WCNB) on July 1, 1983, which is its only other banking subsidiary.

Both VNB and F&M have offices in many different areas in Virginia. The relevant geographic markets are approximated by the self-contained markets in which VNB and F&M operate offices. There are 40 self-contained market areas in which F&M and/or VNB do business. F&M and VNB presently compete directly in 11 of those geographic market areas. This competitive analysis will therefore focus on 11 geographic markets. In the other 29 markets, the merger would have no effect on direct competition.

The 11 markets to be considered are: the Danville banking market, the Hampton/Newport News market, the Lynchburg market, the Norfolk/Virginia Beach/Portsmouth market, the Richmond market, the Roanoke market, the Staunton/Waynesboro/Augusta market, the Washington, D.C. area market, the Williamsburg/James City market and the Coeburn and Wise/Norton markets.

Savings and loans have been granted broad asset and liability powers by Congress and the Virginia State Legislature to offer virtually the full range of financial products once offered only by commercial banks. Powerful economic incentives exist for the savings and loans to exercise early and full use of those powers. The realities of the financial services market require that thrift competition be considered when defining the appropriate product market and in assessing the competitive impact of the VNB and F&M merger. *See Decision of the Comptroller on the Merger of Commercial National Bank of Little Rock into The First National Bank in Little Rock* (May 27, 1983)

The Danville banking market includes most of Pittsylvania County and the independent city of Danville. Ten commercial banks operate 29 offices with total deposits of $482 million and two savings and loans operate 7 offices with $126 million in deposits in the Danville market. F&M operates 6 offices and is the largest bank in the market with 26 percent of the market's deposits VNB has one office and ranks last in the market with 1.4 percent of deposits. Although direct competition will be eliminated, nine commercial banks operating 29 offices will remain as alternatives. The effect on competition in the Danville market is not significant.

The Hampton/Newport News market consists of the cities of Hampton, Newport News, and Poquoson, the southern half of York and Gloucester counties and the eastern portion of Isle of Wight County Thirteen commercial banks operate 84 offices with total deposits of $890 million and nine savings and loans operate 29 offices with $400 million in deposits in the Hampton/Newport News market VNB operates 17 offices and is the third largest commercial bank in the market with 15.4 percent of the market's deposits F&M operates 9 offices and is the fourth largest commercial bank in the market with 15.1 percent of the market's deposits The proposed merger would create the largest bank in the market with 30.5 percent of deposits However the

* Asset figures are from the September 30, 1983, report of condition Information as of date of consummation was not available at press time

proponents will divest 12 of their 26 offices in the market with $76 million in deposits to First American Bank of Virginia. Although the resulting bank will remain the largest bank in the market, the divestiture will establish First American as the fourth largest bank in the market and will allay any adverse competitive effects by replacing one competitor in the market with another strong competitor.

The Lynchburg market includes the city of Lynchburg and portions of Amherst, Bedford and Campbell counties. Eight commercial banks operate 42 offices with $542 million in deposits and six savings and loans operate 16 offices with $306 million in deposits. F&M operates 6 offices with $87 million in deposits and ranks third in the market with 15.2 percent of the market's deposits. VNB operates 3 offices with $20 million and ranks fourth in the market with a 3.5 percent market share. The resulting bank would rank third with 18.7 percent of the market's deposits. The leading two banks in the market are Central Fidelity Bank, N.A., with 43 percent and United Virginia Bank with 25.6 percent of the market's deposits. Although this concentration would seem to indicate a highly concentrated market, several of the largest banks in the state compete in the Lynchburg market. In addition to Central Fidelity and United Virginia Bank (the state's largest), the Bank of Virginia (fourth largest) and First Virginia Bank (seventh largest) are in the market. There are also three large savings and loans which hold more than one-third of all deposits in the market and rank third, fourth and fifth of all financial institutions in the market. Each of these three thrifts is only slightly smaller than the merged bank will be. When the out-of-market deposits are considered, it is clear that there are a number of market participants fully capable of foiling any attempt to exercise market power. *See Decision of the Comptroller on the Merger of National Bank of Oxford into The National Bank and Trust Company of Norwich* (April 8, 1983). Thus, the merger of VNB and F&M will enhance competition by producing a stronger banking institution to compete with the multitude of multimarket banks and thrifts in the Lynchburg market.

The Norfolk-Virginia Beach-Portsmouth market consists of the cities of Chesapeake, Norfolk, Portsmouth, Suffolk and Virginia Beach. Seventeen commercial banks operate 188 offices with total deposits of $2.26 billion and 15 savings and loans operate 69 offices with $1 [illegible] in deposits. VNB operates 37 offices and is the largest bank in the market with 31.7 percent of the market's deposits. F&M operates 17 offices and is the [illegible] largest commercial bank with a 6.5 percent share of the market. The resulting bank would remain first with a 38.2 percent share of the market. However, the proponents have committed to divest 13 of their 54 offices with $113 million in deposits, 11 offices to First American Bank of Virginia in Portsmouth, Norfolk and Virginia Beach, and 2 offices to Bank of Virginia in Chesapeake and Virginia Beach. The divestiture will allow First American entry into the market and will replace F&M in the market with another strong competitor. The effect on competition will not be significant.

The Richmond market includes the Richmond RMA consisting of the city of Richmond, most of Henrico County, the eastern two-thirds of Hanover County, the northern half of Chesterfield County and the eastern portion of Goochland County. Fifteen commercial banks operate 181 offices with deposits of $3.6 billion and 15 savings and loans operate 83 offices with $1.5 billion in deposits. F&M, which is headquartered in Richmond, operates 23 offices and is ranked second in the market with 19.5 percent of the market's deposits. VNB operates 7 offices and ranks seventh in the market with 2.8 percent of the deposits. The resulting bank would remain second with 22.3 percent of the market's deposits. Eight of Virginia's ten largest multimarket holding companies are present in the Richmond market. Additionally, many of these multimarket banks also operate multiple branches in the market including United Virginia Bank, Bank of Virginia, Central Fidelity Bank, Dominion National Bank, and First Virginia Bank. The resulting bank's market share would increase by less than 3 percent, even using unrefined and misleading deposit data. Many of F&M's large customers, who reside outside the market, conduct their banking business with F&M's main office in Richmond. Consequently, many of F&M's large deposits are booked at their main office even though such deposits do not reflect the result of direct competition in the Richmond market. As a result, F&M's deposit share is probably overstated by at least 10 percent and possibly by as much as 20 percent. Similarly, more than 25 percent of VNB's total deposits in this market consist of mortgage escrow funds which are booked in Richmond but do not originate in Richmond. These factors indicate that market shares computed on unrefined deposit data substantially overstate the market power of the leading banks in the market. However, the proponents will divest two offices with $10 million in deposits, one to Bank of Virginia and one office to First Virginia Bank-Colonial. The net effect of the merger on competition in the Richmond market will not be significantly adverse.

The Roanoke banking market includes the cities of Roanoke and Salem, most of Roanoke County, and portions of Bedford and Botetourt counties. Eleven commercial banks operate 78 offices with total deposits of $1.2 billion and six savings and loans operate 25 offices with $422 million in deposits. F&M operates

nine offices and is the third largest commercial bank with 11.5 percent of the market's deposits. VNB operates six offices and ranks seventh with a 2.7 percent market share. The resulting bank would rank third with a 14.2 percent share of the market. Although the merger would reduce the number of competitiors by one, ample alternative banking organizations would remain in the market with ten commercial banks operating 78 offices. The effect on competition in the Roanoke market will not be significant.

The Staunton/Waynesboro/Augusta banking market includes Augusta County and the cities of Staunton and Waynesboro. Nine commercial banks operate 39 offices with deposits of $381 million and four savings and loans hold deposits of $144 million. VNB and F&M each operate four offices in this market, two in Staunton and two in Waynesboro. F&M is the largest commercial bank in the market with a 24.8 percent share of deposits and VNB ranks second with a 21 percent share. The resulting bank would hold 45.8 percent of the market's deposits. The proponents plan to divest both of VNB's Staunton offices and one of F&M's Waynesboro offices to First American Bank of Virginia. First American will enter the market with $62 million in deposits and will become the fourth largest competitor in the market and the third largest commercial bank. Nine commercial banks and four savings and loans will remain in the market. The effect on competition is not considered significant.

The Washington, D.C. banking market consists of the District of Columbia, Arlington County, Alexandria, Fairfax County and City, Falls Church, Manassas and Manassas Park, Prince William County, and portions of Fauquier, Loudon and Stafford counties in Virginia; and Montgomery, Prince Georges and Charles counties and parts of Anne Arundel, Calvert, Carroll, Frederick and Howard counties in Maryland. Sixty-eight commercial banks operate 864 offices with deposits in excess of $14 billion and 49 savings and loans operate 422 offices with more than $9 billion in deposits. VNB operates 44 banking offices and is the 11th largest commercial bank with 3.1 percent of the market's deposits. F&M operates 29 offices and is the 12th largest commercial bank with a 2.4 percent market share. The combined institution would have a 5.5 percent market share. The merger would have no competitive effect on the Washington, D.C. banking market.

The Williamsburg/James City banking market consists of James City County, the northwest portion of York County and the City of Williamsburg. Seven commercial banks operate 15 offices with $138 million in deposits and five savings and loans operate 6 offices with $64 million in deposits. The seven banks are all affiliates of seven of the state's largest bank holding companies. VNB operates 3 offices and is ranked second in market share among commercial banks with a 10.9 percent share of the market. F&M operates 1 office and ranks fourth with a 5.7 percent share of deposits. The resulting bank would rank second with a 16.6 percent market share. United Virginia Bank holds two-thirds of the market's deposits and will continue to hold almost four times the deposits of the resulting institution after the merger. The two leading thrifts have total deposits in excess of all the commercial banks except United Virginia Bank.

However, United Virginia's preeminent market position is not likely to affect the incentive or the capacity of these large multimarket banking organizations to make commercial loans or will it affect the vigorous character of local competition. This market presents the classic case for the argument, stated above, that local deposit shares may seriously understate the vigor of competition when the competitors holding small deposit shares are billion-dollar statewide financial institutions. Moreover, the proponents are committed to divest one of VNB's two Williamsburg offices with $2.3 million in deposits to First Virginia Bank. Eleven financial institutions will remain to service the market's 32,000 residents. The merger will not have an adverse effect on competition in the Williamsburg/James City banking market.

The Wise/Norton banking market includes the city of Norton, the town of Wise and the area between in Wise County. F&M Corp. operates three offices in the market with a 52.6 percent share of the market's deposits. VNB operates an office in Wise and one in Norton with 46.2 percent of the market's deposits. VNB will divest both these offices with $59 million in deposits to Dominion Bankshares Corporation, a new market entrant. The merger will not have an adverse effect on competition in the Wise/Norton market.

The Coeburn banking market includes the town of Coeburn in eastern Wise County. Two commercial banks operate three offices in the market. VNB operates two offices with $37 million in deposits and The Wise County National Bank operates one office with $8 million in deposits (a subsidiary of F&M Corp.). The proponents will divest F&M Corp.'s Coeburn branch to Dominion Bankshares Corporation, a new market entrant. As a result, the merger will have no effect on competition in the Coeburn market.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of

both banks are satisfactory and future prospects of the combined entity are good. The merger will expand and improve the quality of both consumer and corporate financial services and thereby enhance the convenience and needs of the communities served by VNB and F&M.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This Office carefully considered this application pursuant to the requirements of the Bank Merger Act, 12 USC 1828(c), as well as the reports on the competitive factors related to it which were submitted by other agencies. The DOJ concluded that the proposal would not be significantly adverse to competition provided the divestitures took place. The FRB has concluded that consummation of the proposal would have an adverse competitive effect assuming the divestiture took place.

Based on the favorable competitive analysis in the Danville, Lynchburg, Roanoke and Washington, D.C. banking markets, and the divestiture of 33 banking offices with $330 million in deposits, this proposal will not have an adverse effect on competition in the eleven markets in which VNB and F&M compete directly. Other factors considered in evaluating the proposal are satisfactory. Accordingly, we found that the subject merger is lawful under the Bank Merger Act. Although the proponents' plan of divestiture was not a crucial factor in this decision in all affected markets, we believe that it would be inappropriate to grant final approval prior to the divestitures. Thus, the proposed merger will not receive final approval from OCC until after 1) the applicants have obtained purchasers acceptable to the Department of Justice and the OCC and 2) the divestitures have been finally approved by the responsible agency under the Bank Merger Act.

November 28, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

This letter is in response to your letter of June 22, 1983, requesting a report pursuant to Section 18(c) of the Federal Deposit Insurance Act, 12 U.S.C. § 1828(c), on the competitive factors involved in the proposed merger of First & Merchants National Bank, Richmond, Virginia ("F&M"), into Virginia National Bank, Norfolk, Virginia ("VNB").[1]

In the application, VNB and F&M propose to divest branch offices with attendant deposits and corresponding assets in the following localities: Hampton/Newport News, Norfolk/Virginia Beach/Portsmouth, Richmond, Staunton/Waynesboro/Augusta County, Williamsburg/James City, Wise/Norton, and Coeburn. It is our understanding that VNB and F&M, or their respective parent companies, have accepted bids from potential purchasers of the offices, deposits, and assets to be divested in these localities.

Based on the divestitures proposed in the application, and provided that the divestitures are to be effectuated with competitively suitable purchasers before or concurrently with consummation of the merger, we conclude that the merger would not have a significantly adverse effect on competition.[2]

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[1] The analysis reflected in this letter is based solely on the specific facts contained in the application and such other facts as are presently available. This letter is not intended, and should not be relied upon, as precedent or policy of the Division.

[2] This conclusion should not be interpreted as adopting or endorsing any particular divestiture methodology or any product or geographic market definition asserted in the application. For example, the application delineates the localities of Wise/Norton and Coeburn as separate geographic markets. In our view, these localities are in the same geographic market rather than in separate markets. Our conclusion concerning the competitive effects of the entire transaction in this market and others is based on a balancing of all relevant competitive factors.

* * *

VIRGINIA NATIONAL BANK,
Norfolk, Va., and The Wise County National Bank, Wise, Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Wise County National Bank, Wise, Va. (6235), with	$ 109,879,000	4	
and Virginia National Bank, Norfolk, Va. (9885), which had	4,014,760,000	162	
merged December 30, 1983, under charter of the former and with title of "Sovran Bank, National Association," with headquarters in Richmond. The merged bank at date of merger had			165

COMPTROLLER'S DECISION

On August 8, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge The Wise County National Bank, Wise, Va. (WCNB), into Virginia National Bank, Norfolk, Va. (VNB). The application is based on an agreement finalized between WCNB and VNB on July 20, 1983.

VNB is the principal subsidiary of Virginia National Bankshares, Inc. (Bankshares), and is the second largest bank in Virginia with total assets of $3.8 billion and total deposits of $3.1 billion as of March 31, 1983. VNB operated 195 offices throughout the state as of December 31, 1982.

WCNB became a wholly-owned subsidiary of First & Merchants Corporation (F&M Corp.) on July 1, 1983. WCNB had total assets of $108 million and total deposits of $99 million as of March 31, 1983, and operates 5 offices in the southwestern part of Virginia.

The subject merger is related to the proposed merger between VNB and F&M Corp.'s other subsidiary bank, First & Merchants National Bank (F&M). The two mergers will be consummated simultaneously and this merger will not be consummated without the other.

WCNB operates in five banking markets: Coeburn, Wise/Norton, Appalachia/Big Stone Gap, Duffield/Clinchport, and Pound. VNB and WCNB compete only in the Coeburn and Wise/Norton markets.

The Coeburn banking market consists of the Town of Coeburn in eastern Wise County. Two commercial banks operate three offices in the market, not including the Miners Exchange Bank which opened in late 1982 and is now a significant competitor. VNB operates two offices with $37 million in deposits and WCNB operates one office with $8 million in deposits. The proponents will divest WCNB's office to Dominion Bankshares Corporation, a new market entrant. As a result, the merger will have no effect on competition in the Coeburn market.

The Wise/Norton banking market includes the City of Norton, the Town of Wise and the area between in Wise County. WCNB operates three offices in the market, two in Norton and one in Wise, and has a 53.2 percent share of the market. VNB operates one office in Norton and one in Wise and has a 46.8 percent share of commercial bank deposits. VNB will divest both of its offices with $59 million in deposits to Dominion Bankshares Corporation. The merger will not have an adverse effect on competition in the Wise/Norton market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. The merger will provide the combined bank with greater resources to more effectively meet the banking needs of the communities which it serves and the communities will be provided with an expanded and more efficient line of banking services.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This Office carefully considered this application pursuant to the requirements of the Bank Merger Act, 12 USC 1828(c), as well as the reports on the competitive factors related to it which were submitted by other agencies. The DOJ concluded that the proposal would not be significantly adverse to competition provided the divestitures took place and provided that this merger take place only in conjunction with consummation of the proposed merger of VNB and F&M

* Asset figures are from the September 30, 1983, report of condition. Information as of date of consummation was not available at press time.

The FRB concluded that consummation of the proposal would have only an adverse competitive effect assuming the divestitures took place

Based on the proposed divestitures, this proposal will not have an adverse effect on competition in the affected markets. Other factors considered in evaluating the proposal are satisfactory. Accordingly, we found that the subject merger is lawful under the Bank Merger Act. However, we believe that it would be inappropriate to grant final approval prior to the divestitures. Thus, the proposed merger will not receive final approval from OCC until after 1) the applicants have obtained a purchaser acceptable to the DOJ and the OCC and 2) the divestitures have been finally approved by the responsible agency under the Bank Merger Act.

November 28, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger of Applicant and Bank is one of a series of proposed transactions that would result in the merger of Applicant's parent company, Virginia National Bankshares, Inc., and Bank's parent company, First & Merchants Corporation ("F&M Corp."). The proposed merger of Applicant and Bank is conditioned upon the consummation of the proposed merger of Applicant and the principal bank subsidiary of F&M Corp., First & Merchants National Bank ("F&M").

The application for approval to merge Applicant and F&M was filed in June 1983. At that time, it was anticipated that F&M would acquire Bank prior to the consummation of F&M's proposed merger into Applicant. Accordingly, at least for purposes of competitive analysis, the application prospectively treated F&M as already having acquired Bank. Among the divestiture commitments made in the application was the divestiture of an office of Bank. Our competitive analysis of the proposed merger of Applicant and F&M was therefore based on the assumption that, at the time the merger took place, Bank would already have been acquired by one of the merging banks.

By letter dated October 5, 1983, we notified you of our conclusion that, based on certain conditions, the proposed merger of Applicant and F&M would not have a significantly adverse effect on competition. We now conclude that the proposed merger of Applicant and Bank would not have a significantly adverse effect on competition, provided that the merger take place only in conjunction with consummation of the proposed merger of Applicant and F&M under the conditions stated in our letter of October 5.

* * *

AMERICAN NATIONAL BANK,
Morristown, N.J., and Northeastern Bank, Paterson, N.J.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Northeastern Bank, Paterson, N.J., with	$229,771,000	9	
and American National Bank, Morristown, N.J. (4274), which had	825,368,000	33	
merged December 31, 1983, under charter of the latter and title "Horizon Bank, National Association." The merged bank at date of merger had			42

COMPTROLLER'S DECISION

American National Bank and Northeastern Bank are majority owned and controlled by Horizon Bancorp, Morristown, N.J., a registered bank holding company. The proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the bank's records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

* [illegible]

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
November 25, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

* * *

THE CITIZENS AND SOUTHERN NATIONAL BANK, Savannah, Ga., and First State National Bank of Bainbridge, Bainbridge, Ga.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First State National Bank of Bainbridge, Bainbridge, Ga. (6004) with	$ 48,488,000	2	______
and The Citizens and Southern National Bank, Savannah, Ga. (13068), which had	5,887,162,000	148	______
merged December 31, 1983, under charter and title of the latter. The merged bank at date of merger had		______	150

COMPTROLLER'S DECISION

On August 26, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge First State National Bank of Bainbridge, Bainbridge, Ga. (FSNB), into The Citizens and Southern National Bank, Savannah, Ga. (CSNB). The application is based on an agreement finalized between FSNB and CSNB on July 19, 1983.

CSNB is a wholly-owned subsidiary of Citizens and Southern Georgia Corporation (CSGC) and had total assets of $5.7 billion and total deposits of $3.8 billion as of June 30, 1983. CSNB operates 141 full-service offices in 13 cities throughout the state.

FSNB had total assets of $48 million and total deposits of $41 million as of June 30, 1983. FSNB operates two full-service offices located in Bainbridge.

FSNB's relevant geographic market consists of the Decatur County banking market. FSNB became a "correspondent associate" of CSNB in 1969, and receives extensive management advice and operational assistance and maintains very close ties with CSNB. As a result of the "correspondent associate" relationship, FSNB and CSNB do not compete against each other but compete as C&S banks against non-C&S banks in their respective markets. The proposed merger will merely formalize the existing competitive structure and will not result in any lessening of competition in the relevant markets. CSNB and its correspondent associates operate as an interdependent financial services system. The proposal will effectively be nothing more than a corporate reorganization within the CSGC system and, as such, will have no effect on competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. The merger will provide FSNB's community with more services than it already enjoys as a "correspondent associate" and will provide greater financial and managerial resources which will enable FSNB to more effectively meet the banking needs of its community and offer more effective competition.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilites revealed no evidence that the applicant's records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory

* Asset figures are from the September 30, 1983, report of condition Information as of date of consummation was not available at press time

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.

November 23, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE CITIZENS AND SOUTHERN NATIONAL BANK, Savannah, Ga., and The C & S Bank of Tifton, Tifton, Ga.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The C & S Bank of Tifton, Tifton, Ga., with	$ 65,407,000	4	
and The Citizens and Southern National Bank, Savannah, Ga. (13068), which had	5,887,162,000	144	
merged December 31, 1983, under charter and title of the latter. The merged bank at date of merger had			148

COMPTROLLER'S DECISION

On August 26, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge The C&S Bank of Tifton, Tifton, Ga. (C&S-Tifton), into The Citizens and Southern National Bank, Savannah, Ga. (CSNB). The application is based on an agreement finalized between C&S-Tifton and CSNB on July 19, 1983.

CSNB is a wholly-owned subsidiary of Citizens and Southern Georgia Corporation (CSGC) and had total assets of $5.7 billion and total deposits of $3.8 billion as of June 30, 1983. CSNB operates 141 full service offices in 13 cities throughout the state.

C&S-Tifton had total assets of $61 million and total deposits of $53 million as of June 30, 1983. C&S-Tifton operates four offices, all located in Tifton.

C&S-Tifton's relevant geographic market consists of the Tift County banking market. C&S-Tifton became a "correspondent associate" of CSNB in 1969, and receives extensive management advice and operational assistance and maintains very close ties with CSNB. As a result of the "correspondent associate" relationship, C&S-Tifton and CSNB do not compete against each other but compete as C&S banks against non-C&S banks in their respective markets. The proposed merger will merely formalize the existing competitive structure and will not result in any lessening of competition in the relevant markets. CSNB and its correspondent associates operate as an interdependent financial services system and the proposal would effectively be nothing more than a corporate reorganization within the CSGC system. As such, the proposal will have no effect on competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. The merger will provide C&S-Tifton's community with more services than it already enjoys as a "correspondent associate" and will provide greater financial and managerial resources which will enable C&S-Tifton to more effectively meet the banking needs of its community and offer more effective competition.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicant's records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

* [illegible] 31, 1983, report of condition [illegible] was not available at press [illegible]

This decision is the prior written approval required by the Bank Merger Act for the applicant to proceed with the proposed merger.

November 23, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

* * *

DOMINION BANK OF THE CUMBERLANDS, NATIONAL ASSOCIATION,
Haysi, Va., and Two Branches of Virginia National Bank, Norfolk, Va., and One Branch of The Wise County National Bank, Wise, Va.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Two Branches of Virginia National Bank, Norfolk, Va. (9885), with	$4,014,760,000	2	
One Branch of The Wise County National Bank, Wise, Va. (6235), with	109,879,000	1	
were purchased December 31, 1983, by Dominion Bank of the Cumberlands, National Association, Haysi, Va. (18032), which had	213,945,765	7	
After the purchase was effected, the receiving bank had			10

COMPTROLLER'S DECISION

On October 28, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization for Dominion Bank of the Cumberlands, National Association, Haysi, Va. (DBC), to purchase the assets and assume the liabilities of the Coeburn branch of Wise County National Bank, Wise, Va. (WCNB), and the Norton and Wise branches of Virginia National Bank, Norfolk, Va. (VNB). The application is based on two agreements finalized between DBC and WCNB and VNB on October 11, 1983.

This purchase of assets is related to the proposed merger between VNB and First & Merchants National Bank (F&M), Richmond, Va. This purchase will be consummated simultaneously with the merger of VNB and F&M in order to satisfy the conditions imposed by this Office in approving that merger. Also, in order to satisfy those conditions and facilitate this transaction, VNB and WCNB propose to merge and received permission from this Office on November 28, 1983, to do so.

DBC, a subsidiary of Dominion Bankshares Corporation, simultaneously with the consummation of the subject application, is converting from Cumberland Bank & Trust Company and relocating its main office from Grundy, Va., to Haysi, Va. DBC had total assets of $195 million and total deposits of $175 million as of June 30, 1983.

The Coeburn branch of WCNB had total deposits of $8 million as of June 30, 1983. WCNB became a wholly owned subsidiary of First & Merchants Corporation on July 1, 1983. The Wise and Norton branches of VNB had total deposits of $25 million as of April 30, 1983. VNB is the second largest bank in the state with 195 offices and $3.1 billion in deposits as of March 31, 1983.

The Coeburn banking market consists of the town of Coeburn in eastern Wise County. VNB and WCNB operated three offices in the market with $45 million in deposits as of June 30, 1983. Miners Exchange Bank, which opened in July, 1982, is now a significant competitor with $30 million in deposits.

The Wise/Norton banking market includes the city of Norton, the town of Wise and the area between in Wise County. WCNB operates three offices in the market, two in Norton and one in Wise and VNB operates one office in Norton and one in Wise. These are the only commercial banks operating in the area

DBC operates two offices in Dickenson County and five offices in Buchanan County. An affiliate, First National Exchange Bank, operates branches in Appalachia, Big Stone Gap and St. Paul. DBC proposes to acquire WCNB's branch in the Coeburn market and VNB's two branches in the Wise/Norton Market. Since neither DBC nor any of its affiliates operates in either

* Asset figures are of whole bank as of the September 30, 1983 report of condition and from the conversion information for Dominion Bank of the Cumberlands, National Association. Information as of date of consummation was not available at press time

market, there will be no elimination of existing competition. The acquisition of the three branches by DBC will allow the competitive balance to continue in the markets, as the number of competitor banks and their market shares will remain unchanged.

The Bank Merger Act requires this Office to consider the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served. The financial and managerial resources of the banks are satisfactory and future prospects of the combined entity are good. The purchase will provide the two markets with expanded and improved financial services and will enhance the convenience and serve the needs of the communities by introducing a new strong financial institution with the resources and expertise necessary to compete effectively with the successor of the VNB-F&M merger.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act 12 USC 1828(c) and find that it will not substantially lessen competition. Other factors considered in evaluating the proposal are satisfactory. Accordingly, the application is approved and conditioned on the consummation of the conversion of Cumberland Bank & Trust Company occurring either prior to, or simultaneously with, the proposed purchase of assets and assumption of liabilities.

November 30, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST UNION NATIONAL BANK,
Charlotte, N.C., and Piedmont Bank and Trust Company, Charlotte, N.C.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Piedmont Bank and Trust Company, Charlotte, N.C., with	$ 152,338,000	14	______
and First Union National Bank, Charlotte, N.C. (15650), which had	6,030,204,000	200	______
merged December 31, 1983, under charter and title of the latter. The merged bank at date of merger had		______	213

COMPTROLLER'S DECISION

On September 13, 1983, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization to merge Piedmont Bank and Trust Company, Charlotte, N.C. (Piedmont), into First Union National Bank, Charlotte, N.C. (FUNB). The application is based on an agreement finalized between Piedmont and FUNB on June 28, 1983.

FUNB, a wholly owned subsidiary of First Union Corporation, had total assets of $5.9 billion and total deposits of $4.[illegible] billion as of June 30, 1983. FUNB is the [illegible] largest commercial bank in North Carolina and operates 200 offices located in 90 cities throughout the state.

[illegible]

Piedmont, a wholly owned subsidiary of Piedmont Corporation, had total assets of $144 million and total deposits of $102 million as of June 30, 1983. Piedmont operates 14 offices located in Cabarrus, Iredell, Mecklenburg and Stanly counties.

Piedmont's 14 offices are located in three separate relevant geographic markets: the Charlotte MSA, the Iredell County market and the Stanly County market.

Savings and loans have been granted broad asset and liability powers by Congress and the North Carolina Legislature to offer virtually the full range of financial products once offered only by commercial banks.

Powerful economic incentives exist for the savings and loans to exercise early and full use of those powers. The realities of the financial services market require that thrift competition be considered when defining the appropriate product market and in assessing the competitive impact of the FUNB and Piedmont merger. *See Decision of the Comptroller on the Merger of Commercial National Bank of Little Rock into The First National Bank of Little Rock* (May 27, 1983).

The Charlotte MSA consists of Mecklenburg, Gaston, Lincoln, Rowan, Cabarrus, Union and York counties. There are 26 commercial banks and 25 savings and loans operating in the Charlotte market. FUNB has $849 million in deposits with a market share of 12.7 percent. Piedmont has $67 million in deposits and a market share of 1 percent. FUNB ranks second in the market and Piedmont ranks 20th. The combined institution will continue to rank second with 13.7 percent of the market's deposits. Twenty-five commercial banks and 25 savings and loans will remain in the market subsequent to consummation of the merger. Piedmont's small market share and the high level of competition in the market indicate the proposed merger will not have an adverse competitive impact on the Charlotte banking market, nor will the merger significantly improve FUNB's competitive position.

The Iredell County market has seven commercial banks and seven savings and loans with $472 million in deposits. Piedmont and FUNB rank eighth and 10th with market shares of 3.8 percent and 2.7 percent, respectively. The combined institution would rank sixth with a 6.5 percent market share. The market is dominated by NCNB National Bank and The Northwestern Bank with 25.9 percent and 16.3 percent of the market's deposits, respectively. Home Federal Savings and Loan and Mooresville Federal Savings and Loan have 13.3 percent and 11.3 percent of the market's deposits. Other competitors include the second, third, fifth and sixth largest banks in the state. The presence of so many large competitors in this moderately concentrated market indicates that the combination of FUNB and Piedmont into the sixth largest competitor will enable FUNB to provide more effective competition and will have a positive competitive impact on the Iredell County market.

The Stanly County banking market has five commercial banks and two savings and loans with $286 million in deposits. FUNB ranks third with a 24.9 percent market share and Piedmont ranks sixth with a 2.4 percent market share. The two largest institutions are thrifts and both are among the six largest savings and loans in the state. The combined institution will remain third in the market with a 27.3 percent market share. Piedmont has one office with only $7 million in deposits; it is not a significant competitor in the Stanly County market.

However, the proponents will divest Piedmont's only office in the market to a new market entrant and the market will retain seven depository institutions following the merger. Accordingly, the elimination of Piedmont as a competitor will not have a meaningful competitive impact on the Stanly County market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. The merger will provide the combined bank with greater resources and expanded services which will enable the bank to better serve the financial needs of its community and offer more effective competition.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This Office carefully considered this application pursuant to the requirements of the Bank Merger Act, 12 USC 1828(c), as well as the reports on the competitive factors related to it which were submitted by other agencies. The FRB concluded that consummation of the proposeal would have a substantially adverse competitive effect. The DOJ concluded that the proposal would not be significantly adverse to competition provided the divestiture took place. Other factors considered in evaluating the proposal are satisfactory.

We found that the subject merger is lawful under the Bank Merger Act. Although the proponents' plan of divestiture was not a factor in this decision, we believe that it would be inappropriate to grant final approval prior to the planned divestiture in the Stanly County market. Thus, the proposed merger will not receive final approval from OCC until after 1) the applicants have obtained a purchaser acceptable to the DOJ and the OCC and 2) the divestiture has been finally approved by the responsible agency under the Bank Merger Act.

November 28, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

It is our understanding that First Union has entered into an Agreement in Principle and plans to divest the Locust, North Carolina branch office of Piedmont Bank to the Bank of Montgomery, Troy, North Carolina, subject to the execution of a definitive agreement and the necessary regulatory approvals.

On the basis of our current information, and provided that prior to or concurrently with consummation of the First Union/Piedmont Bank merger, the Locust, North Carolina branch office of Piedmont Bank be divested to the Bank of Montgomery or other competitively suitable purchaser, we conclude that the proposed transaction will not have a significantly adverse effect on competition.

* * *

KINGSTON NATIONAL BANK,
Kingston, Ohio, and Two Branches of The Dime Bank, Marietta, Ohio

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Two Branches of The Dime Bank, Marietta, Ohio, with	$36,073,000	2	
were purchased December 31, 1983, by Kingston National Bank, Kingston, Ohio (9536), which had	21,321,000	2	
After the purchase was effected the receiving bank had			4

COMPTROLLER'S DECISION

On July 27, 1983, an application was made to the Office of the Comptroller of the Currency by Kingston National Bank, Kingston, Ohio (KNB), for approval to purchase certain of the assets and assume certain of the liabilities of the Kingston and Adelphi branches of The Dime Bank, Marietta, Ohio (DB). The application is based upon a written agreement executed by the banks on July 27, 1983.

As of March 31, 1983, KNB, an independent bank, held total deposits of $16.7 million and operated one branch in Richmond Dale, Ohio. On the same date, the Kingston and Adelphi branches of DB had aggregate deposits of $6.7 million. DB is the lead bank of American Bancorporation, a multi-bank holding company based in Marietta, Ohio, with total deposits of $31.6 million. In addition to its offices in Kingston and Adelphi, DB operates three Marietta offices.

The relevant geographic area for this proposal defined by OCC's usual "primary service area" test encompasses the northeast corner of Ross County, the southern portion of Pickaway County and the western portion of Hocking County. Within this area three banks compete and operate a total of four offices. Both proponents draw more than 80 percent of their demand deposits from this area. Thus, normally Kingston/Adelphi would be the "section of the country" in which the proposed merger would be evaluated.

However, for the reasons discussed below, such a small geographic and demographic area cannot legitimately be deemed a "section of the country."

In antitrust, as in all areas of the law, effects which fall within the literal language of the law can be so *de minimis* that the law is deemed inapplicable.[1] This rule has particular relevance in antitrust law because

> care must be taken to avoid condemning a merger on the basis of some unduly narrow market definition, or by reference to a market which, though arguably separate from other markets served, it is not really "significant." (2 P. AREEDA & D. TURNER, ANTITRUST LAW ¶ 534c. *See also* Note, *The Line of Commerce for Commercial Bank Mergers: A Product-Oriented Redefinition*, 96 Harv. L. Rev. 907, 923 N. 96 (1983).)

Indeed, the legislative history of the 1950 amendment of ¶ 7 of the Clayton Act, in which the word "community" was deleted from the Act's description of the relevant geographic market, indicates that Congress' concern

> was with the adverse effect of a given merger only in an economically significant "section" of the country. (*Brown Shoe Co. v. United States*, 370 U.S. 294, 320 (1962) (Emphasis added).)

[illegible]

[1] The rule was stated in the maxim: *De minimis non curat lex* (The law does not take notice of trifles.)

Whether a market is "economically significant" depends largely upon the customer population served within the market, although the issue is one of fact and can depend upon additional factors such as the total sales of the relevant goods or services in the market. No area with a population of less than 10,000 has been held to be economically significant.[2]

The Kingston/Adelphi area had a population of less than 5,000 in 1980 and is served by three banks. The total deposits derived by the proponent banks from the area approximate $19.6 million.[3] Thus, by any measure, the geographic area relevant to the subject proposal is not an economically significant section of the country. Accordingly, even if the proposed purchase/assumption would substantially lessen competition within that area, a supposition we do not accept, the proposal could not properly be prohibited under the Bank Merger Act on such grounds.

Further, even assuming *arguendo* that the relevant geographic market is more expansive than the Kingston/Adelphi area, we still find that the proposed purchase/assumption would not substantially lessen competition within such area. The largest area which could properly be designated as the relevant section of the country, given the very small size of the branches to be acquired, is defined by a radius of 10 miles from Kingston. These two branches to be acquired and KNB derive 100 percent and 84 percent respectively, of their deposit accounts from this area, which encompasses the municipalities of Kingston, Adelphi, Bloomingville and two county seats Chillicothe of Ross County and Circleville of Pickaway County. Both proponents face substantial competition from seven other depository institutions, these competitors include two multi-billion dollar banks and four of the others have deposits greater than either of the proponents. Accordingly, even after the merger, competition in this assumed market would remain vigorous.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find the financial and managerial resources of KNB and DB to be satisfactory; however, the Office recognizes the strain consummation of this proposal will place on the capital position of KNB. For this reason the Office is expecting a detailed capital plan from KNB addressing its present and future capital position. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not substantially lessen competition in any economically significant section of the country. Other factors considered in evaluating the proposal are satisfactory. Accordingly, the application is approved.

November 30, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

[2] *U.S.* v. *Phillipsburg Nat'l Bank*, 339 U.S. 350, 365 (1970) (two-town area with population of almost 90,000 and with offices of seven banks *held* economically significant), *Brown Shoe, supra*, 370 U.S. at 337–38 (cities with populations greater than 10,000 held economically significant); *Pargas, Inc.* v. *Empire Gas Corp*, 423 F. Supp. 199 (D. Md. 1976), *aff'd*, 546 F. 2d 25 (4th Cir. 1976), (cities with populations greater than 10,000 *held* economically significant), *County Nat'l. Bank of Bennington, supra*, (area encompassing two-thirds of a county, with a population of 23,733, offices of four banks, and from which deposits of almost $60 million were derived *held* economically significant); *U.S.* v. *Idaho First Nat'l Bank*, 315 F. Supp. 261, 268 (D. Idaho 1970) (city with population of 25,000 *held* not economically significant)

[3] The proposed acquisition would increase KNB's share of deposits to 60 percent and leave only two competitors in the immediate area

II. *Mergers consummated involving a single operating bank.*

Because of space limitations the *Quarterly Journal* will no longer carry the Comptroller's Decision or the Summary of Report by Attorney General for transactions involving a single operating bank if the standard text below is used

COMPTROLLER'S DECISION

* * * Bank is being organized by * * *, a bank holding company. The merger of * * * Bank into * * * (organizing) Bank is a part of a process whereby * * * (holding company), will acquire 100 percent (less directors qualifying shares) of * * * Bank. The merger is a vehicle for a bank holding company acquisition and combines a non-operating bank with an existing commercial bank. As such, it presents no competitive issues under the Bank Merger Act, 12 USC 1828(c).

The financial and managerial resources of both proponents and the future prospects of the resulting bank are favorable. After the merger, the resulting bank will be in the position to draw on the financial and managerial resources of its new corporate parent. This will permit it to more effectively serve the convenience and needs of its community

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicant's record of helping to meet the credit needs of the entire community, including low and moderate income neighborhoods, is less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the * * * Bank would become a subsidiary of * * *, a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by * * * (holding company), it would have no effect on competition.

CITIZENS NATIONAL BANK AND TRUST COMPANY OF WAYNESBORO,
Waynesboro, Pa., and Citizens Interim National Bank and Trust Company of Waynesboro, Waynesboro, Pa.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Citizens National Bank and Trust Company of Waynesboro, Waynesboro, Pa. (5832), with	$55,904,662	3	
and Citizens Interim National Bank and Trust Company of Waynesboro, Waynesboro, Pa. (5832), which had	135,100	0	
merged October 1, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	56,024,662		3
The resulting bank is a subsidiary of Susquehanna Bancshares, Inc., Lititz, Pa.			

* * *

CITIZENS NATIONAL BANK OF LEESBURG,
Leesburg, Fla., and Citizens Interim Bank, N.A., Leesburg, Fla.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Citizens National Bank of Leesburg, Leesburg, Fla. (14684), with	$114,063,799	2	
and Citizens Interim Bank, N.A., Leesburg, Fla. (14684), which had	120,000	0	
merged October 1, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	114,983,921		2
The resulting bank is a subsidiary of Citi Bancshares, Inc., Leesburg, Fla.			

* * *

COMMUNITY NATIONAL BANK,
Derby, Vt., and New Community National Bank, Derby, Vt.

Names of banks and type of transaction	Total assets*	Banking offices In operation	Banking offices To be operated
Community National Bank, Derby, Vt. (1368), with	$56,637,000	4	
and New Community National Bank, Derby, Vt. (1368), which had	140,000	0	
merged October 1, 1983, under charter of the latter and title of the former. The merged bank at date of merger had			4
The resulting bank is a subsidiary of Community Bancorp, Derby, Vt.			

* Asset figures are from the organizing information for the organizing bank and from the September 30 1983, report of condition for the operating bank Information as of date of consummation was not available at press time

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THE FIRST NATIONAL BANK AND TRUST COMPANY OF BELOIT,
Beloit, Wis., and Centre 1 Interim National Bank, Beloit, Wis.

Names of banks and type of transaction	Total assets*	Banking offices In operation	Banking offices To be operated
The First National Bank and Trust Company of Beloit, Beloit, Wis. (2725), with	$107,051,000	4	
and Centre 1 Interim National Bank, Beloit, Wis. (2725), which had	120,000	0	
merged October 1, 1983, under charter of the latter and title of the former. The merged bank at date of merger had			4
The resulting bank is a subsidiary of Centre 1 Bancorp, Inc., Beloit, Wis.			

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time

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FIRST NATIONAL BANK OF BONITA SPRINGS,
Bonita Springs, Fla., and First National Interim Bank of Bonita Springs, Bonita Springs, Fla.

Names of banks and type of transaction	Total assets	Banking offices In operation	Banking offices To be operated
First National Bank of Bonita Springs, Bonita Springs, Fla. (15201), with	$63,585,298	3	
and First National Interim Bank of Bonita Springs, Bonita Springs, Fla. (15201), which had	120,000	0	
merged October 1, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	63,585,298		3
The resulting bank is a subsidiary of South Florida Banking Corp., Bonita Springs, Fla.			

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THE FIRST NATIONAL BANK OF LEWISBURG,
Lewisburg, Tenn., and First National Lewisburg Interim Bank, Lewisburg, Tenn.

Names of banks and type of transaction	Total assets*	Banking offices In operation	Banking offices To be operated
The First National Bank of Lewisburg, Lewisburg, Tenn. (8934), with	$52,620,000	3	
and First National Lewisburg Interim Bank, Lewisburg, Tenn. (8934), which had	120,000	0	
merged October 1, 1983, under charter of the latter and title of the former. The merged bank at date of merger had			3
The resulting bank is a subsidiary of First National Bancorp of Lewisburg, Inc., Lewisburg, Tenn.			

* Asset figures are from the organizing information for the organizing bank and from the September 30 1983 report of condition for the operating bank Information as of date of consummation was not available at press time

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FIRST NATIONAL BANK OF WEST POINT,
West Point, Ga., and Interim National Bank of West Point, West Point, Ga.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of West Point, West Point, Ga. (14547), with	$51,652,000	1	
and Interim National Bank of West Point, West Point, Ga. (14547), which had	132,000	0	
consolidated October 1, 1983, under charter of the latter and title of the former. The consolidated bank at date of consolidation had	51,784,825		1
The resulting bank is a subsidiary of First Bankshares of West Point, Inc., West Point, Ga.			

* * *

FLAGLER NATIONAL BANK OF THE PALM BEACHES,
West Palm Beach, Fla., and Flagler Interim National Bank, West Palm Beach, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Flagler National Bank of the Palm Beaches, West Palm Beach, Fla. (16409), with	$130,977,000	8	
and Flagler Interim National Bank, West Palm Beach, Fla. (16409), which had	240,000	0	
merged October 1, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	130,977,000		8
The resulting bank is a subsidiary of The Flagler Bank Corporation, West Palm Beach, Fla.			

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METROPOLITAN NATIONAL BANK,
Farmers Branch, Tex., and MNB Farmers Branch National Bank, Farmers Branch, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Metropolitan National Bank, Farmers Branch, Tex. (17031), with	$25,204,722	1	
and MNB Farmers Branch National Bank, Farmers Branch, Tex. (17031), which had	240,000	0	
merged October 1, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	25,204,722		1
The resulting bank is a subsidiary of Metropolitan Bancshares, Inc., Farmers Branch, Tex.			

* * *

METROPOLITAN NATIONAL BANK—RICHARDSON,
Richardson, Tex., and MNB Richardson National Bank, Richardson, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Metropolitan National Bank—Richardson, Richardson, Tex. (17420), with	$14,139,204	1	
and MNB Richardson National Bank, Richardson, Tex. (17420), which had	240,000	0	
merged October 1, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	14,139,204		1
The resulting bank is a subsidiary of Metropolitan Bancshares, Inc., Richardson, Tex.			

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SUBURBAN NATIONAL BANK OF ARLINGTON,
Arlington, Mass., and Suburban Bank, National Association, Arlington, Mass.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Suburban National Bank of Arlington, Arlington, Mass. (15052), with	$18,602,813	3	———
and Suburban Bank, National Association, Arlington, Mass. (15052), which had	120,000	0	———
merged October 1, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	18,722,813	———	3
The resulting bank is a subsidiary of Suburban National Corporation, Arlington, Mass.			

* * *

FIRST NATIONAL BANK IN WAYCROSS,
Waycross, Ga., and First Interim National Bank in Waycross, Waycross, Ga.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank in Waycross, Waycross, Ga. (14193), with	$46,214,483	4	———
and First Interim National Bank in Waycross, Waycross, Ga. (14193), which had	120,000	0	———
merged October 3, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	46,214,483	———	4
The resulting bank is a subsidiary of F.N.B.I.W. Financial Corporation, Waycross, Ga.			

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THE FARMER'S NATIONAL BANK OF DANVILLE,
Danville, Ky., and Boyle National Bank, Danville, Ky.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Farmer's National Bank of Danville, Danville, Ky. (2409), with	$64,317,000	4	———
and Boyle National Bank, Danville, Ky. (2409), which had	120,000	0	———
merged October 4, 1983, under charter of the latter and with the title "The Farmers National Bank of Danville." The merged bank at date of merger had		———	4
The resulting bank is a subsidiary bank of Boyle Bancorp, Inc., Danville, Ky.			

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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MISSION VIEJO NATIONAL BANK,
Mission Viejo, Calif., and New Mission Viejo National Bank, Mission Viejo, Calif.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Mission Viejo National Bank, Mission Viejo, Calif. (17021), with	$38,147,000	1	———
and New Mission Viejo National Bank, Mission Viejo, Calif. (17021), which had	120,000	0	———
merged October 24, 1983, under charter of the latter and title of the former. The merged bank at date of merger had		———	1
The resulting bank is a subsidiary of Viejo Bancorp., Mission Viejo, Calif.			

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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THE CITIZENS NATIONAL BANK OF SLATINGTON,
Slatington, Pa., and CNBS National Bank, Slatington, Pa.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
The Citizens National Bank of Slatington, Slatington, Pa. (6051), with	$28,823,000	2	______
and CNBS National Bank, Slatington, Pa. (6051), which had	120,000	0	______
merged October 31, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	28,823,000	______	0
The resulting bank is a subsidiary of Northern Lehigh Bancorp, Inc., Slatington, Pa.			

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THE FIRST-MERCHANTS NATIONAL BANK OF MICHIGAN CITY,
Michigan City, Ind., and Michigan City National Bank, Michigan City, Ind.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
The First-Merchants National Bank of Michigan City, Michigan City, Ind. (2747), with	$173,455,000	9	______
and Michigan City National Bank, Michigan City, Ind. (2747), which had	240,000	0	______
merged October 31, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	173,455,000	______	9
The resulting bank is a subsidiary of Horizon Bancorp, Michigan City, Ind.			

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FIRST NATIONAL BANK OF CAMDEN,
Camden, Ark., and Interim National Bank, Camden, Ark.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
First National Bank of Camden, Camden, Ark. (14096), with	$87,577,826	5	______
and Interim National Bank, Camden, Ark. (14096), which had	120,000	0	______
merged October 31, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	87,697,826	______	5
The resulting bank is a subsidiary bank of First Arkansas Bankstock Corporation, Little Rock, Ark.			

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GRAND BANK AIRPORT FREEWAY AT HIGHWAY 157, NATIONAL ASSOCIATION,
Bedford, Tex., and Grand National Bank, Bedford, Tex.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
Grand National Bank, Bedford, Tex. (17620), with	$ 120,000	0	______
and Grand Bank Airport Freeway at Highway 157, National Association, Bedford, Tex. (17620), which had	12,415,718	1	______
consolidated October 31, 1983, under charter and title of the latter. The consolidated bank at date of consolidation had	12,415,718	______	1
The resulting bank is a subsidiary of Grand Bancshares, Inc., Dallas, Tex.			

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AMERICAN NATIONAL BANK,
Bay City, Tex., and New American National Bank, Bay City, Tex.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
American National Bank, Bay City, Tex. (17279), with	$17,407,000	1	
and New American National Bank, Bay City, Tex. (17279), which had	120,000	0	
merged November 1, 1983, under charter of the latter and title of the former. The merged bank at date of merger had			1
The resulting bank is a subsidiary of Victoria Bankshares, Inc., Victoria, Tex.			

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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COMMERCIAL NATIONAL BANK OF LONGVIEW,
Longview, Tex., and Allied Bank Longview, National Association, Longview, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Commercial National Bank of Longview, Longview, Tex. (16408), with	$30,022,154	1	
and Allied Bank Longview, National Association, Longview, Tex. (16408), which had	120,000	0	
merged November 1, 1983, under charter and title of the latter. The merged bank at date of merger had	30,754,362		1
The resulting bank is a subsidiary of Allied Bancshares, Inc., Houston, Tex.			

The Attorney General's report was not received.

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FIRST NATIONAL BANK OF LAKE ZURICH,
Lake Zurich, Ill., and FNLZ National Bank, Lake Zurich, Ill.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First National Bank of Lake Zurich, Lake Zurich, Ill. (16594), with	$14,836,000	1	
and FNLZ National Bank, Lake Zurich, Ill. (16594), which had	250,000	0	
merged November 1, 1983, under charter of the latter and title of the former. The merged bank at date of merger had			1
The resulting bank is a subsidiary of Northwest Suburban Bancorp., Lake Zurich, Ill.			

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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FIRST NATIONAL BANK OF MOUNT PROSPECT,
Mount Prospect, Ill., and FNMP National Bank, Mount Prospect, Ill.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First National Bank of Mount Prospect, Mount Prospect, Ill. (15272), with	$166,325,000	2	____
and FNMP National Bank, Mount Prospect, Ill. (15272), which had	1,100,000	0	____
consolidated November 1, 1983, under charter and title of the former. The consolidated bank at date of consolidation had		____	2
The resulting bank is a subsidiary of Northwest Suburban Bancorp, Inc., Mount Olive, Ill.			

The Attorney General's report was not received

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank; information as of date of consummation was not available at press time

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FIRST NATIONAL CITY BANK OF ALLIANCE,
Alliance, Ohio, and Bank One, Alliance, National Association, Alliance, Ohio

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National City Bank of Alliance, Alliance, Ohio (3721), with	$121,345,706	9	____
and Bank One, Alliance, National Association, Alliance, Ohio (3721), which had	120,000	0	____
merged November 1, 1983, under charter and title of the latter. The merged bank at date of merger had	121,465,706	____	9
The resulting bank is a subsidiary of Banc One Corporation, Columbus, Ohio.			

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THE NATIONAL CITY BANK OF ROME,
Rome, Ga., and The Interim National Bank of Rome, Rome, Ga.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The National City Bank of Rome, Rome, Ga. (10302), with	$131,114,000	6	____
and The Interim National Bank of Rome, Rome, Ga. (10302), which had	120,000	0	____
consolidated November 1, 1983, under charter of the latter and title of the former. The consolidated bank at date of consolidation had		____	6
The resulting bank is a subsidiary of The National City Bankcorp, Rome, Ga.			

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank; information as of date of consummation was not available at press time

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THE FIRST NATIONAL BANK OF FLORENCE,
Florence, Ala., and First Florence Interim Bank, National Association, Florence, Ala.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First Florence Interim Bank, National Association, Florence, Ala. (3981), with	$ 120,000	0	____
and The First National Bank of Florence, Florence, Ala. (3981), which had	260,259,360	10	____
consolidated November 4, 1983, under charter and title of the latter. The consolidated bank at date of consolidation had	260,259,360	____	10
The resulting bank is a subsidiary of First United Bancorp, Inc., Florence, Ala.			

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THE FIRST NATIONAL BANK OF SPARTA,
Sparta, Ill., and FBS National Bank, Sparta, Ill.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
The First National Bank of Sparta, Sparta, Ill. (7015), with	$2,058,471	1	
and FBS National Bank, Sparta, Ill. (7015), which had	60,000	0	
merged November 14, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	2,118,471		1
The resulting bank is a subsidiary of First Bancorp of Sparta, Ltd., Sparta, Ill.			

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REPUBLIC NATIONAL BANK,
Columbia, S.C., and New Republic National Bank, Columbia, S.C.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
Republic National Bank, Columbia, S.C. (16474), with	$24,992,000	3	
and New Republic National Bank, Columbia, S.C. (16474), which had	240,000	0	
merged November 21, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	24,992,000		3
The resulting bank is a subsidiary of Republic Bancorp of S.C., Inc., Columbia, S.C.			

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NAZARETH NATIONAL BANK AND TRUST COMPANY,
Nazareth, Pa., and NNBT National Bank, Nazareth, Pa.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Nazareth National Bank and Trust Company, Nazareth, Pa. (5077), with	$110,127,000	4	
and NNBT National Bank, Nazareth, Pa. (5077), which had	120,000	0	
merged November 25, 1983, under charter of the latter and title of the former. The merged bank at date of merger had			4
The resulting bank is a subsidiary of First Colonial Group, Inc., Nazareth, Pa.			

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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THE FIRST NATIONAL BANK OF LAKE ARIEL,
Lake Ariel, Pa., and FNB National Bank of Lake Ariel, Lake Ariel, Pa.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
The First National Bank of Lake Ariel, Lake Ariel, Pa. (9886), with	$25,653,000	2	
and FNB National Bank of Lake Ariel, Lake Ariel, Pa. (9886), which had	120,000	0	
merged November 26, 1983, under charter of the latter and title of the former. The merged bank at date of merger had			2
The resulting bank is a subsidiary of Lake Ariel Bancorp, Inc., Lake Ariel, Pa.			

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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THE OLD NATIONAL BANK OF CENTRALIA,
Centralia, Ill., and Marion County National Bank, Centralia, Ill.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The Old National Bank of Centralia, Centralia, Ill. (3303), with	$101,550,156	2	______
and Marion County National Bank, Centralia, Ill. (3303), which had	120,000	0	______
merged November 28, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	101,550,156	______	2
The resulting bank is a subsidiary of Old National Bancshares Inc., Centralia, Ill.			

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NATIONAL BANK OF MOUNT OLIVE,
Mount Olive, Ill., and NBM Bank, National Association, Mount Olive, Ill.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
National Bank of Mount Olive, Mount Olive, Ill. (14510), with	$18,914,000	1	______
and NBM Bank, National Association, Mount Olive, Ill. (14510), which had	60,000	0	______
merged November 30, 1983, under charter of the latter and title of the former. The merged bank at date of merger had		______	1
The resulting bank is a subsidiary of Country Bancorp, Inc., Mount Olive, Ill.			

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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FIRST NATIONAL BANK IN GOODLAND,
Goodland, Kans., and KNB National Bank, Goodland, Kans.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
First National Bank in Goodland, Goodland, Kans. (14163), with	$53,435,000	1	______
and KNB National Bank, Goodland, Kans. (14163), which had	1,105,790	0	______
consolidated December 1, 1983, under charter of the latter and with the title of "The First National Bank in Goodland." The consolidated bank at date of consolidation had		______	1
The resulting bank is a subsidiary of Kansas National Bancorporation, Inc., Goodland, Kans.			

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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THE FIRST NATIONAL BANK OF CARMI,
Carmi, Ill., and F. C. National Bank, Carmi, Ill.

Names of banks and type of transaction	Total assets*	Banking offices In operation	Banking offices To be operated
The First National Bank of Carmi, Carmi, Ill. (4934), with	$62,530,000	1	
and F. C. National Bank, Carmi, Ill. (4934), which had	120,000	0	
merged December 1, 1983, under charter of the latter and title of the former. The merged bank at date of merger had			1
The resulting bank is a subsidiary of First Carmen Bancshares, Inc., Carmi, Ill.			

* Asset figures are from the organizing information for the organizing bank and from the September 30 1983 report of condition for the operating bank Information as of date of consummation was not available at press time

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THE CONCORD NATIONAL BANK,
Concord, N.C., and CNB National Bank, Concord, N.C.

Names of banks and type of transaction	Total assets	Banking offices In operation	Banking offices To be operated
The Concord National Bank, Concord, N.C. (3903), with	$56,783,803	5	
and CNB National Bank, Concord, N.C. (3903), which had	120,000	0	
consolidated December 2, 1983, under charter and title of the former. The consolidated bank at date of consolidation had	56,783,803		5
The resulting bank is a subsidiary of Concord National, Inc., Concord, N.C.			

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FIRST NATIONAL BANK IN LONDON,
London, Ky., and New First National Bank in London, London, Ky.

Names of banks and type of transaction	Total assets*	Banking offices In operation	Banking offices To be operated
First National Bank in London, London, Ky. (7890), with	$59,952,000	4	
and New First National Bank in London, London, Ky. (7890), which had	60,000	0	
merged December 5, 1983, under charter of the latter and title of the former. The merged bank at date of merger had			4
The resulting bank is a subsidiary of First National London Bankshares Corp., London, Ky.			

* Asset figures are from the organizing information for the organizing bank and from the September 30 1983 report of condition for the operating bank Information as of date of consummation was not available at press time

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THE FIRST HUNTINGTON NATIONAL BANK,
Huntington, W. Va., and First Huntington Interim National Bank, Huntington, W. Va.

Names of banks and type of transaction	Total assets	Banking offices In operation	Banking offices To be operated
The First Huntington National Bank, Huntington, W. Va. (3106), with	$300,818,570	3	
and First Huntington Interim National Bank, Huntington, W. Va. (3106), which had	240,000	0	
merged December 11, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	300,818,570		3
The resulting bank is a subsidiary of One Bancorp of West Virginia, Huntington, W Va			

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ELYRIA SAVINGS & TRUST NATIONAL BANK,
Elyria, Ohio, and EST National Bank, Elyria, Ohio

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
Elyria Savings & Trust National Bank, Elyria, Ohio (15577), with	$327,245,000	15	
and EST National Bank, Elyria, Ohio (15577), which had	240,000	0	
merged December 12, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	327,245,000		15
The resulting bank is a subsidiary of First Bancorporation of Ohio, Akron, Ohio.			

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THE FIRST NATIONAL BANK OF JASPER,
Jasper, Ala., and First Jasper Interim Bank, National Association, Jasper, Ala.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
The First National Bank of Jasper, Jasper, Ala. (7746), with	$203,744,402	8	
and First Jasper Interim Bank, National Association, Jasper, Ala. (7746), which had	120,000	0	
merged December 12, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	203,864,402		8
The resulting bank is a subsidiary of First National Jasper Corporation, Jasper, Ala.			

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CUMBERLAND VALLEY NATIONAL BANK & TRUST COMPANY,
London, Ky., and CV National Bank, London, Ky.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Cumberland Valley National Bank & Trust Company, London, Ky. (10254), with	$134,834,000	6	
and CV National Bank, London, Ky. (10254), which had	60,000	0	
merged December 16, 1983, under charter of the latter and title of the former. The merged bank at date of merger had			6
The resulting bank is a subsidiary of Cumberland Valley Financial Corporation, London, Ky.			

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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DU QUOIN NATIONAL BANK,
Du Quoin, Ill., and WMS National Bank of Du Quoin, Du Quoin, Ill.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
Du Quoin National Bank, Du Quoin, Ill. (14626), with	$53,033,317	1	
and WMS National Bank of Du Quoin, Du Quoin, Ill. (14626), which had	120,000	0	
merged December 16, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	55,153,317		1
The resulting bank is a subsidiary of Du Quoin Bancorp, Inc., Du Quoin, Ill.			

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THE FIRST NATIONAL BANK AND TRUST COMPANY OF CORBIN,
Corbin, Ky., and New First National Bank and Trust Company of Corbin, Corbin, Ky.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank and Trust Company of Corbin, Corbin, Ky. (7544), with	$104,674,258	3	
and New First National Bank and Trust Company of Corbin, Corbin, Ky. (7544), which had	120,000	0	
merged December 16, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	104,794,258		3
The resulting bank is a subsidiary of Southeast Bancorp, Inc., Corbin, Ky.			

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THE FIRST NATIONAL BANK OF FORDYCE,
Fordyce, Ark., and New First National Bank of Fordyce, Fordyce, Ark.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
New First National Bank of Fordyce, Fordyce, Ark. (9501), with	$ 120,000	0	
and The First National Bank of Fordyce, Fordyce, Ark. (9501), which had	30,084,000	2	
consolidated December 19, 1983, under charter and title of the latter. The consolidated bank at date of consolidation had			2
The resulting bank is a subsidiary of First Fordyce Bancshares, Inc., Fordyce, Ark.			

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983 report of condition for the operating bank. Information as of date of consummation was not available at press time.

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FIRST NATIONAL BANK IN PINCKNEYVILLE,
Pinckneyville, Ill., and First Main Street National Bank, Pinckneyville, Ill.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank in Pinckneyville, Pinckneyville, Ill. (13975), with	$37,484,107	1	
and First Main Street National Bank, Pinckneyville, Ill. (13975), which had	60,000	0	
merged December 21, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	37,544,107		1
The resulting bank is a subsidiary of First Perry Bancorp, Inc., Pinckneyville, Ill.			

* * *

AIRPORT NATIONAL BANK,
Bethalto, Ill., and ANB National Bank, Bethalto, Ill.

Names of banks and type of transaction	Total assets*	Banking offices In operation	Banking offices To be operated
Airport National Bank, Bethalto, Ill. (16569), with	$18,246,000	1	____
and ANB National Bank, Bethalto, Ill. (16569), which had	120,000	0	____
merged December 30, 1983, under charter of the latter and title of the former. The merged bank at date of merger had		____	1
The resulting bank is a subsidiary of First Bancshares Corporation of Illinois, Alton, Ill.			

COMPTROLLER'S DECISION

Airport National Bank and ANB National Bank are majority-owned and controlled by First Bancshares Corporation of Illinois, Alton, Ill., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the bank's record of helping to meet the credit needs of its community, including low and moderate income neighborhoods, is less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
November 30, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the ANB National Bank (org.) would become a subsidiary of First Bancshares Corporation of Illinois, a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by First Bancshares Corporation of Illinois, it would have no effect on competition.

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

CITIZENS NATIONAL BANK OF MACOMB,
Macomb, Ill., and Citizens Bank, National Association, Macomb, Ill.

Names of banks and type of transaction	Total assets*	Banking offices In operation	Banking offices To be operated
Citizens National Bank of Macomb, Macomb, Ill. (14415), with	$73,117,000	2	____
and Citizens Bank, National Association, Macomb, Ill. (14415), which had	120,000	0	____
merged December 30, 1983, under charter of the latter and title of the former. The merged bank at date of merger had		____	2
The resulting bank is a subsidiary of Central Bancorp., Macomb, Ill.			

* Asset figures are from the organizing information for the organizing bank and from the September 30, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

EASTON NATIONAL BANK AND TRUST COMPANY,
Easton, Pa., and Easton National Interim Bank and Trust Company, Allentown, Pa.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Easton National Bank and Trust Company, Easton, Pa. (1233), with	$263,596,000	9	
and Easton National Interim Bank and Trust Company, Allentown, Pa. (1233), which had	240,000	0	
merged December 30, 1983, under charter of the latter and title of the former. The merged bank at date of merger had			9
The resulting bank is a subsidiary of Merchants Bancorp, Inc., Allentown, Pa.			

* Asset figures are from the organizing information for the organizing bank and from the September 30 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time

* * *

FIRST CITIZENS NATIONAL BANK,
Tupelo, Miss., and First Citizens National Interim Bank, Tupelo, Miss.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First Citizens National Bank, Tupelo, Miss. (15479), with	$186,828,482	15	
and First Citizens National Interim Bank, Tupelo, Miss. (15479), which had	123,600	0	
merged December 31, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	186,828,482		15
The resulting bank is a subsidiary of First Bank Capital Corporation, Wilmington, Del.			

* * *

THE FIRST NATIONAL BANK OF EMPORIA,
Emporia, Va., and Second National Bank of Emporia, Emporia, Va.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Emporia, Emporia, Va. (8688), with	$34,517,381	3	
and Second National Bank of Emporia, Emporia, Va. (8688), which had	60,000	0	
merged December 31, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	34,517,381		3
The resulting bank is a subsidiary of First National Bankshares, Inc., Emporia, Va			

* * *

FIRST NATIONAL BANK OF MAGNOLIA,
Magnolia, Ark., and Interim Magnolia National Bank, Magnolia, Ark.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Magnolia, Magnolia, Ark. (14461), with	$145,426,000	4	______
and Interim Magnolia National Bank, Magnolia, Ark. (14461), which had	125,000	0	______
merged December 31, 1983, under charter of the latter and title of the former. The merged bank at date of merger had	145,551,000	______	4
The resulting bank is a subsidiary of First United Bancshares, Inc., El Dorado, Ark.			

* * *

HUDSON VALLEY NATIONAL BANK,
Yonkers, N.Y., and HV National Bank, Yonkers, N.Y.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Hudson Valley National Bank, Yonkers, N.Y. (15968), with	$82,853,842	5	______
and HV National Bank, Yonkers, N.Y. (15968), which had	240,000	0	______
consolidated December 31, 1983, under charter and title of the former. The consolidated bank at date of consolidation had	82,723,842	______	5
The resulting bank is a subsidiary of Hudson Valley Holding Corp., Yonkers, N.Y.			

* * *

Statistical Tables

Page

Comptrollers of the Currency, 1863 to the present

No	Name	Date of appointment	Date of resignation	[illegible]
1	McCulloch, Hugh	May 9, 1863	Mar 8 1865	Indiana
2	Clarke, Freeman	Mar 21 1865	July 24 1866	New York
3	Hulburd, Hiland R	Feb 1, 1867	Apr 3 1872	Ohio
4	Knox, John Jay	Apr 25 1872	Apr 30 1884	Minnesota
5	Cannon, Henry W	May 12 1884	Mar 1 1886	Minnesota
6	Trenholm, William L	Apr 20 1886	Apr 30 1889	South Carolina
7	Lacey, Edward S	May 1 1889	June 30 1892	Michigan
8	Hepburn, A Barton	Aug 2 1892	Apr 25 1893	New York
9	Eckels, James H	Apr 26 1893	Dec 31 1897	Illinois
10	Dawes, Charles G	Jan 1 1898	Sept 30 1901	Illinois
11	Ridgely, William Barret	Oct 1 1901	Mar 28 1908	Illinois
12	Murray, Lawrence O	Apr 27, 1908	Apr 27, 1913	New York
13	Williams, John Skelton	Feb 2, 1914	Mar 2, 1921	Virginia
14	Crissinger, D R	Mar 17, 1921	Apr 30, 1923	Ohio
15	Dawes, Henry M	May 1, 1923	Dec 17 1924	Illinois
16	McIntosh, Joseph W	Dec 20, 1924	Nov 20, 1928	Illinois
17	Pole, John W	Nov 21, 1928	Sept 20, 1932	Ohio
18	O'Connor, J F T	May 11, 1933	Apr 16, 1938	California
19	Delano, Preston	Oct 24 1938	Feb 15 1953	Massachusetts
20	Gidney, Ray M	Apr 16, 1953	Nov 15 1961	Ohio
21	Saxon, James J	Nov 16, 1961	Nov 15 1966	Illinois
22	Camp, William B	Nov 16, 1966	Mar 23 1973	Texas
23	Smith, James E	July 5 1973	July 31 1976	South Dakota
24	Heimann, John G	July 21, 1977	May 15 1981	New York
25	Conover, C T	Dec 16, 1981		California

Deputy Comptrollers of the Currency

No.	Name	Dates of tenure						State
1	Howard, Samuel T	May	9	1863	Aug	1	1865	New York
2	Hulburd, Hiland R	Aug	1	1865	Jan	31	1867	Ohio
3	Knox, John Jay	Mar	12	1867	Apr	24	1872	Minnesota
4	Langworthy, John S	Aug	8	1872	Jan	3	1886	New York
5	Snyder, V P	Jan	5	1886	Jan	3	1887	New York
6	Abrahams, J D	Jan	27	1887	May	25	1890	Virginia
7	Nixon, R M	Aug	11	1890	Mar	16	1893	Indiana
8	Tucker, Oliver P	Apr	7	1893	Mar	11	1896	Kentucky
9	Coffin, George M	Mar	12	1896	Aug	31	1898	South Carolina
10	Murray, Lawrence O	Sept	1	1898	June	29	1899	New York
11	Kane, Thomas P	June	29	1899	Mar	2	1923	District of Columbia
12	Fowler, Willis J	July	1	1908	Feb	14	1927	Indiana
13	McIntosh, Joseph W	May	21	1923	Dec	19	1924	Illinois
14	Collins, Charles W	July	1	1923	June	30	1927	Illinois
15	Stearns, E W	Jan	6	1925	Nov	30	1928	Virginia
16	Awalt, F G	July	1	1927	Feb	15	1936	Maryland
17	Gough, E H	July	6	1927	Oct	16	1941	Indiana
18	Proctor, John L	Dec	1	1928	Jan	23	1933	Washington
19	Lyons, Gibbs	Jan	24	1933	Jan	15	1938	Georgia
20	Prentiss, Jr, William	Feb	24	1936	Jan	15	1938	Georgia
21	Diggs, Marshall R	Jan	16	1938	Sept	30	1938	Texas
22	Oppegard, G J	Jan	16	1938	Sept	30	1938	California
23	Upham, C B	Oct	1	1938	Dec	31	1948	Iowa
24	Mulroney, A J	May	1	1939	Aug	31	1941	Iowa
25	McCandless, R B	July	7	1941	Mar	1	1951	Iowa
26	Sedlacek, L H	Sept	1	1941	Sept	30	1944	Nebraska
27	Robertson, J L	Oct	1	1944	Feb	17	1952	Nebraska
28	Hudspeth, J W	Jan	1	1949	Aug	31	1950	Texas
29	Jennings, L A	Sept	1	1950	May	16	1960	New York
30	Taylor, W M	Mar	1	1951	Apr	1	1962	Virginia
31	Garwood, G W	Feb	18	1952	Dec	31	1962	Colorado
32	Fleming, Chapman C	Sept	15	1959	Aug	31	1962	Ohio
33	Haggard, Hollis S	May	16	1960	Aug	3	1962	Missouri
34	Camp, William B	Apr	2	1962	Nov	15	1966	Texas
35	Redman, Clarence B	Aug	4	1962	Oct	26	1963	Connecticut
36	Watson, Justin T	Sept	3	1962	July	18	1975	Ohio
37	Miller, Dean E	Dec	23	1962				Iowa
38	DeShazo, Thomas G	Jan	1	1963	Mar	3	1978	Virginia
39	Egertson, R Coleman	July	13	1964	June	30	1966	Iowa
40	Blanchard, Richard J	Sept	1	1964	Sept	26	1975	Massachusetts
41	Park, Radcliffe	Sept	1	1964	June	1	1967	Wisconsin
42	Faulstich, Albert J	July	19	1965	Oct	26	1974	Louisiana
43	Motter, David C	July	1	1966	Sept	20	1981	Ohio
44	Gwin, John D	Feb	21	1967	Dec	31	1974	Mississippi
45	Howland, Jr, W A	July	5	1973	Mar	27	1978	Georgia
46	Murphy, Robert A	July	5	1973	Sept	8	1978	Kansas
47	[illegible], Joseph M	Feb	2	1975	June	30	1978	Pennsylvania
48	Bloom, Robert	Aug	31	1975	Feb	28	1978	New York
49	[illegible], Richard D	Aug	31	1975	Nov	25	1977	Missouri
50	Hall, Charles B	Aug	31	1975	Sept	14	1979	Pennsylvania
51	[illegible], David H	Aug	31	1975	Sept	20	1976	Texas
52	Murphy, C Westbrook	Aug	31	1975	Dec	30	1977	Maryland
53	[illegible]	Aug	31	1975				Texas
54	Homan, Paul M	Mar	27	1978	Jan	21	1983	Nebraska
55	[illegible]	Mar	27	1978	Sept	18	1981	Massachusetts
56	Muckenfuss, Cantwell F	Mar	27	1978	Oct	1	1981	Alabama
57	[illegible]	Nov	7	1978				Texas
58	Longbrake, William A	Nov	8	1978	July	9	1982	Wisconsin
59	Odom, Lewis G	Mar	21	1979	Nov	16	1980	Alabama
60	[illegible]	May	22	1979	Apr	4	1983	Texas
61	[illegible]	July	13	1979	Sept	5	1982	Connecticut
62	[illegible]	Apr	13	1981	Mar	31	1982	Connecticut
63	[illegible]	Mar	21	1982				Massachusetts
64	[illegible]	Mar	21	1982	Aug	21	1983	Connecticut
65	[illegible]	Mar	21	1982				Texas
66	[illegible]	May	2	1982				California
67	[illegible]	May	2	1982				Pennsylvania
68	[illegible]	June	1	1982				Georgia
69	[illegible]	Sept	19	1982				Idaho
70	[illegible]	Jan	1	1983				Illinois
71	[illegible]	Jan	1	1983				Maryland
72	[illegible]	Jan	1	1983				Missouri
73	[illegible]	Jan	1	1983				North Carolina
74	[illegible]	[illegible]	1	1983				Ohio
75	[illegible]	Oct	[illegible]	1983				Pennsylvania
76	[illegible]	Apr	[illegible]	[illegible]				Delaware
77	[illegible]	[illegible]	10	[illegible]				California
78	[illegible]	[illegible]	[illegible]	[illegible]				New Jersey

Branches* of national banks, by states, July 1 to December 31, 1983

	Branches in operation June 30, 1983†	De novo branches opened for business, July 1 to December 31, 1983	Branches acquired through merger or conversion July 1 to December 31 1983	Existing branches discontinued or consolidated July 1 to December 31 1983	Branches in operation December 31 1983
Total	20,980	393	518	299	21,592
Alabama	358	5	135	16	482
Alaska	84	0	0	0	84
Arizona	390	5	0	7	388
Arkansas	192	3	12	0	207
California	2,784	39	8	7	2,824
Colorado	46	0	0	1	45
Connecticut	309	6	0	0	315
Delaware	12	0	0	0	12
District of Columbia	161	4	0	3	162
Florida	1,092	59	72	11	1,212
Georgia	440	30	36	1	505
Hawaii	11	0	0	0	11
Idaho	191	0	0	0	191
Illinois	265	7	0	6	266
Indiana	568	4	0	4	568
Iowa	108	6	0	0	114
Kansas	82	0	0	0	82
Kentucky	295	3	0	23	275
Louisiana	308	3	0	0	311
Maine	115	0	0	32	83
Maryland	527	8	19	19	535
Massachusetts	501	17	0	13	505
Michigan	983	4	0	6	981
Minnesota	127	5	0	4	128
Mississippi	306	2	6	1	313
Missouri	90	6	0	2	94
Montana	10	0	0	0	10
Nebraska	62	1	0	0	63
Nevada	92	1	0	0	93
New Hampshire	101	4	0	0	105
New Jersey	1,045	14	0	1	1,058
New Mexico	129	0	0	1	128
New York	2,010	12	0	19	2,003
North Carolina	954	17	13	3	981
North Dakota	28	1	0	0	29
Ohio	1,464	21	144	35	1,594
Oklahoma	66	0	0	3	63
Oregon	354	2	0	0	356
Pennsylvania	1,498	15	0	24	1,489
Rhode Island	113	0	0	6	107
South Carolina	376	8	27	4	407
South Dakota	103	3	0	3	103
Tennessee	376	28	31	10	425
Texas	47	1	0	0	48
Utah	178	2	0	1	179
Vermont	50	0	0	0	50
Virginia	760	25	8	2	791
Washington	653	7	0	27	633
West Virginia	48	9	0	0	57
Wisconsin	118	6	7	4	12[illegible]
Wyoming	0	0	0	0	0

* Does not include CBCT or foreign branches For those branches see pp 194 195

† Some state totals have been changed to reflect adjustments of June 30 1983 data

CBCT branches* of national banks, by states, July 1 to December 31, 1983

	Branches in operation June 30, 1983	De novo branches opened for business July 1 to December 31, 1983	Branches acquired through merger or conversion July 1 to December 31, 1983	Existing branches discontinued or consolidated July 1 to December 31, 1983	Branches in operation December 31, 1983
Total	2 366	320	8	22	2 672
Alabama	39	3	0	1	41
Alaska	5	0	0	0	5
Arizona	19	0	0	0	19
Arkansas	16	1	0	0	17
California	72	11	0	10	73
Colorado	49	8	0	0	57
Connecticut	7	5	0	0	12
Delaware	0	0	0	0	0
District of Columbia	4	1	0	0	5
Florida	66	48	0	0	114
Georgia	48	3	0	0	51
Hawaii	0	0	0	0	0
Idaho	3	0	0	0	3
Illinois	73	14	0	0	87
Indiana	29	0	0	0	29
Iowa	83	12	0	0	95
Kansas	62	6	0	0	68
Kentucky	23	0	0	0	23
Louisiana	31	0	0	0	31
Maine	42	3	0	0	45
Maryland	24	2	0	0	26
Massachusetts	142	21	0	0	163
Michigan	120	27	0	1	146
Minnesota	66	4	0	0	70
Mississippi	4	1	0	0	5
Missouri	4	1	0	0	5
Montana	23	2	0	0	25
Nebraska	135	4	0	0	139
Nevada	14	9	0	1	22
New Hampshire	1	0	0	0	1
New Jersey	24	2	0	0	26
New Mexico	6	1	0	0	7
New York	259	13	0	5	267
North Carolina	27	7	0	0	34
North Dakota	17	1	0	1	17
Ohio	111	13	8	0	132
Oklahoma	200	0	0	0	200
Oregon	8	0	0	0	8
Pennsylvania	112	31	0	1	142
Rhode Island	1	1	0	0	2
South Carolina	37	2	0	0	39
South Dakota	7	9	0	0	16
Tennessee	68	0	0	0	68
Texas	174	0	0	0	174
Utah	1	1	0	0	2
Vermont	0	0	0	0	0
Virginia	10	22	0	0	32
Washington	13	2	0	0	15
West Virginia	14	26	0	0	40
Wisconsin	73	3	0	2	74
Wyoming	0	0	0	0	0

* CBCT [illegible] branches

Federal branches and agencies of foreign banks, by state

	Federal branches and agencies—open Jan 1, 1983	Federal branches and agencies—approved/unopened Jan. 1, 1983	Applications, 1983						Federal branches and agencies—opened or converted Jan. 1 to Dec 31	Federal branches and agencies—approved/unopened Dec 31, 1983
			Pending Jan. 1	Received	Approved	Disapproved	Withdrawn	Pending Dec. 31		
Total *de novo*	46	17	10	16	13	1	2	10	16	13
Federal branch										
California	2	0	0	0	0	0	0	0	0	0
District of Columbia	1	0	0	0	0	0	0	0	0	0
New York	25	9	4	11	9	0	1	5	11	7
Limited Federal branch										
California	2	2	1	2	0	0	1	2	1	1
District of Columbia	2	0	0	0	0	0	0	0	0	0
Illinois	3	1	0	0	0	0	0	0	0	1
New York	1	3	2	1	0	0	0	3	3	0
Washington	1	0	0	0	0	0	0	0	0	0
Federal agency										
California	1	0	0	0	0	0	0	0	0	0
Florida	5	1	2	2	3	1	0	0	0	3
Louisiana	1	1	0	0	0	0	0	0	0	1
New York	2	0	1	0	1	0	0	0	1	0
Total conversions	7	2	1	6	5	0	0	2	3	3
State agency to Federal branch										
New York	7	2	1	4	4	0	0	1	3	2
State agency to limited Federal branch										
California	0	0	0	2	1	0	0	1	0	1

Applications for new national bank charters, calendar 1983

	De novo			State-chartered banks converted to national banks
	Approved	Rejected	Charters issued	
Total	269	31	268	37
Alabama	0	0	2	0
Alaska	1	0	0	1
Arizona	2	0	2	0
Arkansas	0	0	0	3
California	21	8	38	2
Colorado	19	0	23	3
Connecticut	1	0	0	0
Delaware	0	0	1	3
District of Columbia	0	1	2	0
Florida	18	1	25	1
Georgia	0	0	0	1
Hawaii	0	0	0	0
Idaho	0	0	0	0
Illinois	1	0	2	0
Indiana	0	0	0	1
Iowa	1	2	0	2
Kansas	5	0	5	0
Kentucky	1	0	0	0
Louisiana	8	0	9	0
Maine	0	0	0	0
Maryland	1	0	0	0
Massachusetts	0	0	0	1
Michigan	0	0	1	0
Minnesota	1	0	0	1
Mississippi	0	0	0	0
Missouri	1	0	8	0
Montana	0	0	0	0
Nebraska	0	0	1	0
Nevada	0	0	2	0
New Hampshire	0	0	0	0
New Jersey	0	0	0	0
New Mexico	0	2	1	2
New York	4	0	1	0
North Carolina	0	0	0	1
North Dakota	0	0	0	0
Ohio	3	0	5	2
Oklahoma	18	2	15	1
Oregon	0	0	0	0
Pennsylvania	0	0	0	1
Rhode Island	0	0	0	0
South Carolina	1	0	0	0
South Dakota	1	0	0	0
Tennessee	2	0	3	4
Texas	150	15	120	4
Utah	0	0	0	0
Vermont	0	0	0	0
Virginia	1	0	0	3
Washington	3	0	0	0
West Virginia	1	0	0	0
Wisconsin	0	0	0	0
Wyoming	4	0	2	0

Applications for new national bank charters, approved and rejected, by states, July 1 to December 31, 1983

	Approved	*Rejected*
ALASKA		
Rainier Bank Alaska, National Association, Anchorage	Nov 4	
CALIFORNIA		
Intercontinental Bank, National Association, Beverly Hills	Aug 24	
Pacific Southern National Bank & Trust Company, Carlsbad		Aug 19
Clearlake Bank, National Association, Clearlake		Nov 4
Southwest National Bank, El Toro		Aug 19
The Local Bank, National Association, Fallbrook	Oct 4	
American Pacific National Bank & Trust Company, Irvine		Oct 20
International City Bank, National Association, Long Beach	Aug 30	
Central National Bank & Trust Company, Los Angeles	Oct 13	
Commercial National Bank, Los Angeles	Sept 22	
Sun National Bank, Palm Springs		Oct. 20
Mercantile Bank, National Association, San Carlos	July 14	
Trans-Pacific National Bank, San Francisco	July 8	
Central National Bank, Upland		July 8
North American National Bank, Upland		Aug 12
COLORADO		
Bergen Park National Bank, Bergen Park	Sept. 7	
Rockrimmon National Bank, Colorado Springs	Sept. 19	
Central Bank at Stapleton, National Association, Denver	Sept. 30	
Douglas County National Bank, Douglas County	Aug 22	
Enterprise National Bank, Englewood	Sept 28	
United Bank of Fort Collins-South, National Association, Fort Collins	Apr 14	
Grand Valley National Bank, Grand Junction	June 27	
First Interstate Bank of Westminster, National Association, Westminster	June 27	
DISTRICT OF COLUMBIA		
First National Trust Company of Washington, D.C.		Nov 29
FLORIDA		
Sun Bank/Highlands County, National Association, Avon Park	Jan 20*	
Fidelity Union Trust Company of Florida, N.A., Boca Raton	July 14	
Unibank, National Association, Coral Gables	Dec 20	
Templeton Management and Trust Company, N.A., Fort Lauderdale	Nov 29	
Ellis National Bank of Jacksonville, Jacksonville	Aug 2	
Suncoast National Bank, Miami		Nov 14
U.S. Trust Company of Florida, N.A., Palm Beach	Aug 8	
CBT Trust Company of Florida, N.A., West Palm Beach	July 15	
ILLINOIS		
First Chicago Investment Advisors, N.A., Chicago	Dec 9	
IOWA		
National Bank of Iowa, Ames		Nov 29
Exchange National Bank of Story County, Collins	Dec 21	
First National Bank, Onawa		Oct 20
KANSAS		
Mission Hills Bank, National Association, Mission Woods	Dec 20	
KENTUCKY		
Morehead National Bank, Morehead	July 27	
LOUISIANA		
Louisiana Independent Bank, National Association, Baton Rouge	Dec 5	
National Bank of Commerce, Baton Rouge	Oct 24	
The Trust Company of Baton Rouge, N.A., Baton Rouge	Sept 7	
First National Bank of Benton, Benton	Oct 17	
Louisiana National Bank of Lafayette, Lafayette	Oct 17	
National Fidelity Bank of Shreveport	Oct 13	
MARYLAND		
Citibank (Maryland), N.A., Towson	Oct 4	
MINNESOTA		
First National Bank of Monticello, Monticello	Sept 7	
NEW MEXICO		
First City National Bank, Belen		Dec 5
First City National Bank, Santa Fe		Dec 5
NEW YORK		
State Bank & Trust Company, N.A., New York	Sept 22	
OHIO		
Citizens Fidelity (Ohio), N.A., Cincinnati	Aug 1	
Comerica Midwest, N.A., Toledo	Sept 8	
The FTB Seventh National Bank, Wapakoneta	May 9*	
OKLAHOMA		
Community National Bank, Alva	Aug 10	
Citizens National Bank, Chickasha		Nov 29
First National Bank of Del City, Del City	Oct 17	
The National Bank of Harrah, Harrah	Aug 10	
Community National Bank of Okarche, Okarche	Oct 21	
North Bank National Association, Oklahoma City, Oklahoma City	Sept 7	
Park Avenue Bank, National Association, Oklahoma City	Oct 20	
Santa Fe Bank, N.A., Oklahoma City		Aug 2
First Memorial Bank, N.A., Tulsa	Dec 2	
Southern National Bank, Tulsa	Oct 24	
Tulsa National Bank, Tulsa	Oct 29	
First National Bank of Tuttle, Tuttle	Nov 3	
SOUTH CAROLINA		
Greenville National Bank, Greenville	July 15	
TENNESSEE		
FAB National Bank, Clinton	Mar 16*	
TEXAS		
City National Bank, Amarillo	Dec 2	
Tascossa National Bank South, Amarillo	Dec 2	
First National Bank, Arlington	Aug 11	
Northwest National Bank of Arlington, Arlington	Dec 20	
Landmark National Bank of Arlington, Arlington	July 15	
First National Bank, Austin	Aug 3	
North Central National Bank, Austin	Sept 7	
InterFirst Bank North Austin, N.A., Austin	Nov 8	
Bacliff Bank—National Association, Bacliff	Dec 21	
Trinity National Bank, Benbrook	Sept 14	
Peoples National Bank, Caldwell	Aug 3	
Trinity Mills National Bank, Carrollton	Aug 3	
Wells Branch National Bank, Austin	Dec 20	
Corpus Christi National Bank—South, Corpus Christi	Oct 13	
Highland Park National Bank, Dallas	Sept 15	
Lakewood National Bank, Dallas	Oct 13	
Midway National Bank, Dallas	Oct 13	
Park Forest National Bank, Dallas	Oct 4	
Financial Center Bank, N.A., Dallas	Oct 24	
Lone Star National Bank, Dallas	Nov [illegible]	
Allied Bank North Central, N.A., Dallas	Nov 8	
First National Bank of Park Cities, Dallas	Dec [illegible]	

Applications for new national bank charters, approved and rejected, by states, July 1 to December 31, 1983—continued

	Approved	Rejected
TEXAS—Con.		
[illegible] National Bank, Farmers Branch	Oct 17	
Trinity National Bank of Fort Worth, Fort Worth		Oct 4
Fidelity National Bank of Fort Worth, Fort Worth	Dec 2	
National Bank of Ridglea, Fort Worth	Oct 13	
Camp Bowie National Bank, Fort Worth	Nov 8	
Colonial National Bank, Fort Worth	Aug 3	
Security Bank, National Association, Garland	Nov 8	
Lake Granbury National Bank, Granbury	Aug 10	
Barker Park National Bank, Unincorporated Area of Harris County	Sept 15	
Cranbrook National Bank, Unincorporated Area of Harris County		Nov 29
Bear Creek National Bank, Unincorporated Area of Harris County	Oct 13	
East Point National Bank, Unincorporated Area of Harris County	Oct 17	
Northwest Commerce Bank, N.A., Houston	Oct 5	
Sage Plaza Bank, N.A., Houston	Nov 1	
Texas First National Bank, Houston	Nov 1	
Texas Commerce Bank—River Oaks, N.A., Houston	Nov 8	
Unitedbank—Sakowitz Centre, N.A., Houston	Dec 20	
Westheimer Memorial Bank, N.A., Houston	Dec 21	
Capital Bank—Greens Parkway, N.A., Houston	Aug 10	
Briar Forest National Bank, Houston		Aug 19
Superior National Bank, Houston	Aug 11	
Fallbrook National Bank, Houston	Aug 30	
Cypress National Bank, Houston	July 22	
City Central National Bank, Houston	Dec 21	
First National Bank—South, Huntsville	Sept 7	
First National Bank of Atascocita, Humble	Aug 10	
Bank of the Southwest, N.A., Las Colinas, Irving	July 15	
Texas National Bank of Jacksonville	Oct 13	
Livingston National Bank, Livingston		Sept 14
Oak Forest National Bank, Longview	Nov 8	
East Texas National Bank of Marshall	Dec 2	
Faulkner Corners Bank, National Association, Mesquite	Nov 1	
Mid-Cities National Bank, Midland	July 31	
RepublicBank First National, Midland	Oct 14	
First Mineral Wells National Bank, Mineral Wells		Aug 9
Community National Bank, Montgomery County		July 14
First State Bank of Odessa, National Association, Odessa	Sept 30	
Frio National Bank, Pearsall	Dec 23	
Kingwood National Bank, Porter	Sept 15	
Centennial National Bank, Richardson	Aug 10	
Round Rock National Bank, Round Rock	Aug 9	
Tom Green National Bank, San Angelo	Aug 30	
Countryside National Bank, San Antonio		Sept 14
Commercial National Bank, San Antonio	Dec 1	
Elm Creek National Bank, San Antonio	Oct 4	
MedCentre Bank, N.A., San Antonio	Oct 13	
The San Antonio National Bank, San Antonio	Dec 20	
American Bank of Sherman, N.A., Sherman	Dec 2	
Community National Bank, Sherman	Oct 17	
Park Forty-Five National Bank, Spring	Aug 30	
Citizens National Bank, Teague	Nov 8	
First National Bank of The Colony, The Colony		Nov 30
Texas National Bank, Victoria	Aug 10	
The Waller Bank, National Association, Waller		June 17
Parker County National Bank, Weatherford		Oct 4
Weatherford National Bank, Weatherford	Oct 17	
Security Bank, N.A.—Bay Area, Webster	Dec 2	
First National Bank, Whitesboro	Dec 21	
Peoples National Bank, Winters	Aug 2	
VIRGINIA		
First National Bank, Louisville, Richmond	Dec 9	
WASHINGTON		
Northwest Community Bank, N.A., Kent	Aug 8	
West Coast National Bank of Washington, Tacoma	Nov 17	
National Bank of Tukwila, Tukwila	Aug 24	
WYOMING		
First Wyoming Bank, National Association—Big Piney, Big Piney	Feb 1*	
First Wyoming Bank, National Association—Laramie, Laramie	Mar 9*	

* Notices of these approvals were received after the deadline for Volume 2, Number 3 of the *Quarterly Journal*.

New national bank charters issued, by states, July 1 to December 31, 1983

Charter number	*Title and location of bank*	*Total capital accounts*
	Total 111 banks	[illegible]
	ARIZONA	
17949	Phoenix National Bank, Phoenix	2 000 000
17960	National Bank of Arizona Scottsdale	2 250 000
	CALIFORNIA	
17895	World Trade Bank, National Association, Beverly Hills	6 250 000
17944	Independent National Bank, Covina	2 500 000
17883	Saddleback National Bank, Laguna Hills	3 041 156
17868	Bank of Lodi, National Association, Lodi	3 500 000
17933	Queen City Bank, National Association, Long Beach	5 000 000
17898	Larchmont National Bank, Los Angeles	3 500 000
17915	Marathon National Bank, Los Angeles	6 000 000
17897	Western United National Bank, Los Angeles	4 000 000
17884	South Valley National Bank, Morgan Hill	4 000 000
17916	First Western Bank, National Association, San Diego	3 000 000
17917	The Pacific Bank, National Association, San Francisco	22 000 000
17923	National InterCity Bank, Santa Clara	4 000 000
17846	Western Industrial National Bank, South El Monte	2 500 000
	COLORADO	
18034	American National Bank of Aurora, Aurora	1 500 000
17892	Bennett National Bank, Bennett	800 000
17891	United Bank of Academy Place, National Association, Colorado Springs	1 000 000
17934	Central Bank at Stapleton, National Association, Denver	800 000
18009	First Union National Bank of Colorado, Denver	2 000 000
17757	First National Bank of Southeast Denver, Denver	4 464 000
17878	Durango National Bank, Durango	750 000
18057	First Bank at County Line Road/Holly, National Association, Englewood	1 000 000
18058	Grand Valley National Bank, Grand Junction	1 000 000
18030	National Bank of Arapahoe, Englewood	1 500 000
17947	Omnibank Arapahoe, National Association, Englewood	1 000 000
18004	United Bank of Fort Collins-South, National Association Fort Collins	1 000 000
17887	InterWest Bank of Highlands Ranch, National Association, Highlands Ranch	1 000 000
17736	First National Bank of Parker, Parker	1 000 000
17948	First Bank of Silverthorne, National Association Silverthorne	500 000
	DISTRICT OF COLUMBIA	
17899	National Enterprise Bank, Washington	5 500 000
	FLORIDA	
17858	Sun Bank/Highlands County, National Association, Avon Park	120 000
17964	Fidelity Union Trust Company of Florida, N A., Boca Raton	1 100 000
17912	First National State Trust Company, Boca Raton	1 000 000
17971	Security National Bank, Fort Myers	2 075 000
18022	Ellis National Bank of Jacksonville, Jacksonville	11 700 000
17871	The Bank of New York Trust Company of Florida, N A , Miami	1 500 000
18020	Citizens First National Bank of Hernando County, Spring Hill	1 200 000
17842	Wilmington Trust of Florida, N A , Stuart	2 000 000
18038	PNC Trust Company of Florida, National Association, Tampa	1 000 000
18037	CBT Trust Company of Florida, N A , West Palm Beach	1 500 000
	ILLINOIS	
18001	Bank of Atkinson, National Association, Atkinson	2 510 000
	KANSAS	
17805	The Fourth Bank of Garden City, N A , Garden City	1 000 000
18007	First National Bank, Haysville	1 000 000
	LOUISIANA	
17972	First National Bank of Louisiana, Bastrop	2 000 000
17930	Western National Bank of Louisiana, Kaplan	3 000 000
17859	Progressive National Bank of Rayne, Rayne	3 000 000
17928	American Bank of Ruston, N A , Ruston	2 000 000
17927	First National Bank of St Martin, St Martinville	2 000 000
	MISSOURI	
18006	Clayton Mercantile National Bank, Clayton	3 000 000
18008	Stone County National Bank, Crane	1 000 000
17946	Commerce Bank of Lee's Summit, N A , Lee s Summit	[illegible]
17913	First Missouri Bank of St Peters, N A , St Peters	[illegible]
	OHIO	
17873	Citizens Fidelity (Ohio), N A , Cincinnati	[illegible]
18021	Comerica-Midwest N A , Toledo	[illegible]
17907	The FTB Seventh National Bank, Wapakoneta	[illegible]
	OKLAHOMA	
17937	Affiliated Bank of Broken Arrow N A , Broken Arrow	[illegible]
18035	Heritage National Bank, Oklahoma City	[illegible]
17931	Peoples National Bank, Oklahoma City	[illegible]
17926	Triad Bank, National Association, Tulsa	[illegible]
17881	City National Bank of Weatherford Weatherford	[illegible]

New national bank charters issued, by states, July 1 to December 31, 1983— continued

Charter number	Title and location of bank	Total capital accounts
	TENNESSEE	
[illegible]	First American National Bank of Chattanooga, Chattanooga	3,000,000
17909	FAB National Bank, Clinton	120,000
	TEXAS	
[illegible]	BankFirstAustin, N.A., Austin	2,000,000
17963	First City Bank MOPAC, N.A., Austin	2,000,000
17954	Citizens National Bank of Bellaire, Bellaire	2,000,000
18046	Texas National Bank, Brenham	1,500,000
17967	Panola National Bank, Carthage	3,000,000
17993	Texana National Bank of College Station, College Station	2,000,000
17968	Grand Bank Stemmons at Regal Row, N.A., Dallas	2,000,000
17876	Preston North National Bank, Dallas	5,000,000
17994	Sherry Lane National Bank, Dallas	3,000,000
17906	Signature Place Bank, N.A., Dallas	5,000,000
17929	Sunbelt National Bank, Dallas	1,750,000
17902	Turtle Creek National Bank, Dallas	5,000,000
17921	Community Bank, N.A., Decker Prairie	1,500,000
17975	First City Bank-East, N.A., El Paso	2,000,000
17943	Texas National Bank, El Paso	2,000,000
17962	Park West Bank, N.A., Farmers Branch	2,500,000
17995	Texas Commerce Bank-Sugarland, N.A., Unincorporated Area of Fort Bend County	2,000,000
17969	Cy-Fair Bank, National Association, Unincorporated Area of Harris County	3,000,000
17904	Harris County Bank Cy-Fair, N.A., Unincorporated Area of Harris County	2,000,000
18014	Charter National Bank-Arena, Houston	2,500,000
17870	First City Bank-West Belt, N.A., Houston	2,000,000
17992	First Houston Bank, National Association, Houston	4,000,000
17961	Northport National Bank, Houston	2,000,000
17869	Park Tower National Bank, Houston	4,000,000
17903	ResourceBank, National Association, Houston	3,000,000
17922	Texas Commerce Bank-West Oaks, N.A., Houston	1,800,000
17976	The Southwestern Bank NorthBelt, N.A., Houston	2,500,000
17991	Westheimer National Bank, Houston	3,000,000
18044	Wilcrest National Bank, Houston	3,000,000
18060	Jefferson National Bank, Jefferson	1,400,000
17901	First National Bank of Katy, Katy	1,500,000
17905	Peoples National Bank, Lufkin	2,000,000
17970	Mesquite National Bank, Mesquite	2,000,000
17874	Mid-Cities National Bank, Midland	1,500,000
17956	RepublicBank First National Midland, Midland	33,000,000
18043	Midlothian National Bank, Midlothian	3,000,000
17935	First State Bank of Odessa, National Association, Odessa	4,200,000
17829	National Bank of Commerce, Pampa	2,500,000
17894	Willow Bend National Bank, Plano	2,300,000
17941	First City Bank-Forum, N.A., San Antonio	4,000,000
18047	Intercontinental National Bank-Starcrest, San Antonio	2,000,000
17955	Trinity National Bank, San Antonio	2,000,000
17862	First Commercial Bank, National Association, Seguin	2,800,000
18063	First National Bank of South Padre Island, South Padre Island	1,500,000
17863	Sunbelt National Bank, Spring Valley	4,000,000
17996	First National Bank of Woodville, Woodville	1,250,000
	WYOMING	
17865	First Wyoming Bank, National Association-Big Piney, Big Piney	60,000
17866	First Wyoming Bank, National Association-Laramie, Laramie	120,000

NOTE: Comparable information for January 1 to June 30, 1983 can be found in Volume 2, Number 3, *Quarterly Journal*, p. 172.

State-chartered banks converted to national banks, by states, July 1 to December 31, 1983
(Dollar amounts in thousands)

Charter number	Title and location of bank	Effective date	Total assets
	Total, 18 banks		$7 770 398
	ALASKA		
18023	Rainier Bank Alaska, National Association, Anchorage, conversion of Peoples Bank and Trust Company	December 30	72 815
	ARKANSAS		
17950	First National Bank of Howard County, Dierks, conversion of Peoples Bank	September 21	20 689
17900	First American Bank of Little Rock, National Association, Little Rock, conversion of Arkansas Federal Savings and Loan Association	August 1	48 488
17945	Citizens National Bank of Nashville, Nashville, conversion of Citizens State Bank	September 20	25 145
	DELAWARE		
18011	CoreStates Bank of Delaware, N.A., Wilmington, conversion of The Philadelphia Bank (Delaware)	December 2	208,376
	FLORIDA		
18012	Sun Bank/Suncoast, National Association, St. Petersburg, conversion of Sun Bank/Suncoast	November 16	345 456
	INDIANA		
17837	First National Bank of Clark County, Charlestown, conversion of First Bank of Charlestown	July 1	51 019
	IOWA		
18005	Cedar National Bank, Carpenter, conversion of Carpenter Savings Bank	October 1	4,407
17877	Iowa National Bank & Trust, Lytton, conversion of Lytton Savings Bank	July 15	11,000
	NEW MEXICO		
17879	First City National Bank, Albuquerque, conversion of Rio Grande Valley Bank	July 1	209,268
17893	First City National Bank, Rio Rancho, conversion of Bank of the Southeast	July 1	11,372
	NORTH CAROLINA		
17850	Central Carolina Bank & Trust Company, N.A., Durham, conversion of Central Carolina Bank & Trust Company	July 1	760,356
	OHIO		
18013	The Huntington National Bank of Northeast Ohio, Cleveland, conversion of Huntington Bank of Northeast Ohio	December 5	1 231 396
18024	AmeriTrust Company National Association, Cleveland, conversion of AmeriTrust Company	December 13	4 500 000
	TENNESSEE		
17908	First National Bank of Collierville, Collierville, conversion of Collierville Savings and Loan Association	August 15	13 667
	TEXAS		
17942	State National-Vista Hills, El Paso, conversion of Vista Hills Bank	October 3	30 746
17911	Irving National Bank, Irving, conversion of Dallas/Ft. Worth Airport Bank	August 15	12 252
	VIRGINIA		
18032	Dominion Bank of the Cumberlands, National Association, Haysi, conversion of Cumberland Bank and Trust Company, Grundy	December 30	213 946

NOTE: Comparable information for January 1 to June 30, 1983, can be found in Volume 2, Number 3 *Quarterly Journal* p. 175

Mergers,* calendar 1983

	Transactions involving two or more operating banks	Others pursuant to corporate reorganization	Total
Applications received			
Mergers	135	146	281
Consolidations	9	25	34
Purchases and assumptions	47	11	58
Total	191	182	373
Approvals issued			
Mergers	116	153	269
Consolidations	10	23	33
Purchases and assumptions	42	12	54
Total	168	188	356
Denials issued			
Mergers	4	0	4
Consolidations	0	0	0
Purchases and assumptions	1	0	1
Total	5	0	5
Abandoned			
Mergers	4	7	11
Consolidations	1	0	1
Purchases and assumptions	1	0	1
Total	6	7	13
Consummated			
Mergers	110	146	256
Consolidations	9	22	31
Purchases and assumptions	38	11	49
Total	157	179	336

* Includes mergers, consolidations, and purchases and assumptions when the resulting bank is a national bank

Mergers of national banks, or national and state banks, by states, July 1 to December 31. 1983
(Dollar amounts in thousands)

Effective date	*Merging banks* / *Resulting bank*	Total assets
	ALABAMA	
	The Commercial National Bank of Anniston, Anniston (11753)	$ 81 368
	The First National Bank of Birmingham, Birmingham (3185)	$2 276 557
July 15	AmSouth Bank, National Association, Birmingham (3185)	2 357 925
	Parker Bank & Trust Company, Cullman	49 262
	The First National Bank of Birmingham, Birmingham (3185)	2 374 318
July 22	AmSouth Bank, National Association, Birmingham (3185)	2 423 580
	Shoals National Bank of Florence, Florence (15427)	23 767
	The First National Bank of Birmingham, Birmingham (3185)	2 461 623
August 12	AmSouth Bank, National Association, Birmingham (3185)	2 485 390
	The American National Bank of Huntsville, Huntsville (15316)	90 545
	The First National Bank of Birmingham, Birmingham (3185)	2 469 701
August 19	AmSouth Bank, National Association, Birmingham (3185)	2 560 246
	Citizens Bank of Talladega, Talladega	24 105
	The First National Bank of Birmingham, Birmingham (3185)	2 507 091
August 26	AmSouth Bank, National Association, Birmingham (3185)	2 531 196
	Citizens National Bank of Limestone County, Athens (16291)	23 945
	The First National Bank of Birmingham, Birmingham (3185)	2 740 983
September 9	AmSouth Bank, National Association, Birmingham (3185)	2 764 928
	First National Bank of Decatur, Decatur (6380)	112 110
	The First National Bank of Birmingham, Birmingham (3185)	2 628 873
September 9	AmSouth Bank, National Association, Birmingham (3185)	2 740 000
	State Bank of the Gulf, Gulf Shores	23 903
	The First National Bank of Birmingham, Birmingham (3185)	2 771 723
September 23	AmSouth Bank, National Association, Birmingham (3185)	2 795 626
	The American National Bank & Trust Company of Mobile, Mobile (13414)	290 257
	The First National Bank of Birmingham, Birmingham (3185)	2 875 481
October 14	AmSouth Bank, National Association, Birmingham (3185)	3 165 738
	Baldwin National Bank, Robertsdale (15402)	25 729
	The First National Bank of Birmingham, Birmingham (3185)	3 165 738
October 14	AmSouth Bank, National Association, Birmingham (3185)	3 191 467
	The Bank of East Alabama, Opelika	51 331
	The First National Bank of Birmingham, Birmingham (3185)	3 144 686
October 28	AmSouth Bank, National Association, Birmingham (3185)	3 196 017
	The City National Bank of Selma, Selma (1736)	55 053
	The First National Bank of Birmingham, Birmingham (3185)	3 202 022
November 11	AmSouth Bank, National Association, Birmingham (3185)	3 257 075
	The First National Bank of Autauga County, Prattville (16219)	17 150
	The First National Bank of Birmingham, Birmingham (3185)	3 257 939
November 18	AmSouth Bank, National Association, Birmingham (3185)	3 275 089
	SouthTrust Bank of Piedmont, National Association, Piedmont (7464)	31 240
	SouthTrust Bank of Calhoun County, National Association, Anniston (3041)	161 849
November 21	SouthTrust Bank of Calhoun County, National Association, Anniston (3041)	193 089
	The Alabama National Bank of Montgomery, Montgomery (12993)	227 462
	The First National Bank of Birmingham, Birmingham (3185)	3 195 099
December 9	AmSouth Bank, National Association, Birmingham (3185)	3 422 561
	ARKANSAS	
	Commercial National Bank in Little Rock, Little Rock (14000)	406 433
	The First National Bank in Little Rock, Little Rock (13949)	541 879
July 31	First Commercial Bank, National Association, Little Rock (14000)	948 313
	CALIFORNIA	
	Bank of Marin, San Rafael	532 358
	Bank of Sonoma County, Santa Rosa	143 860
	Bank of Lake County, Lakeport	59 381
	Gold Country Bank, Grass Valley	55 761
	Vaca Valley Bank, Vacaville	63 386
	The First National Bank of Mendocino County, Ukiah (11282)	46 033
July 1	Westamerica Bank, National Association, San Rafael (11282)	900 780
	COLORADO	
	Intrawest Bank of Denver, National Association, Denver (1016)	2 326 096
	First Interstate Bank of Denver, National Association, Denver (12517)	343 950
October 1	First Interstate Bank of Denver, National Association, Denver (12517)	2 698 315
	CONNECTICUT	
	Citizen's National Bank of Fairfield, Fairfield (16290)	[illegible]
	South Norwalk New Bank, National Association, South Norwalk (16290)	[illegible]
November 7	Citizen's National Bank of Fairfield, Fairfield (16290)	[illegible]
	The Mattatuck Bank and Trust Company, Waterbury	[illegible]
	The Connecticut National Bank, Hartford (1338)	[illegible]
December 1	The Connecticut National Bank, Hartford (1338)	[illegible]

Mergers of national banks, or national and state banks, by states, July 1 to December 31, 1983—continued
(Dollar amounts in thousands)

Effective date	*Merging banks* *Resulting bank*	*Total assets*
	FLORIDA	
	Avon Citrus Bank, Avon Park	$ 33,038
	SunBank Highlands County, National Association, Avon Park (17858)	120
July 1	SunBank Highlands County, National Association, Avon Park (17858)	33,158*
	Florida National Bank of Brevard County, Titusville (15287)	54,268
	Florida National Bank at Lakeland, Lakeland (13370)	103,258
	Florida National Bank of Martin County, Stuart (15991)	226,343
	Florida National Bank of Miami, Miami (13570)	661,552
	Florida National Bank at Ocala, Ocala (9926)	87,073
	The Florida National Bank at Orlando, Orlando (14701)	204,099
	Florida National Bank of Palm Beach County, West Palm Beach (14721)	96,826
	Florida National Bank at Pensacola, Pensacola (5603)	142,220
	Florida National Bank of Pinellas County, St. Petersburg (13498)	161,224
	Florida National Bank at Port St. Joe, Port St. Joe (14902)	22,476
	Florida National Bank at Vero Beach, Vero Beach (14814)	72,541
	Florida Bank at Fort Pierce, Fort Pierce	37,906
	Florida Bank at Starke, Starke	40,278
	Florida Bank of Sumter County, Bushnell	54,168
	Florida Bank of Volusia County, Daytona Beach	232,404
	Florida National Bank, Jacksonville (8321)	1,039,047
July 1	Florida National Bank, Jacksonville (8321)	3,134,002
	First National Bank of Brooksville, Brooksville (15621)	124,622
	First National Bank of Florida, Tampa (3497)	1,396,669
July 1	First National Bank of Florida, Tampa (3497)	1,509,178
	Ellis American Bank, Lakeland	15,166
	Ellis National Bank of Central Florida, Tampa (14932)	79,296
July 8	Ellis National Bank of Central Florida, Tampa (14932)	94,462
	Great American Bank of Tampa, Tampa	177,304
	Barnett Bank of Tampa, National Association, Tampa (16437)	268,805
July 25C	Barnett Bank of Tampa, National Association, Tampa (16437)	450,609
	Great American Bank of Gainesville, Gainesville	23,203
	Barnett Bank of Gainesville, National Association (16589)	57,400
August 1C	Barnett Bank of Gainesville, National Association (16589)	80,603*
	NCNB National Bank of Florida, Tampa (17774)	1,642,823
	NCNB National Bank of Florida, Lake City (7540)	30,343
	NCNB National Bank of Florida, Boca Raton (17775)	1,001,204
September 30C	NCNB National Bank of Florida, Tampa (17775)	2,674,370*
	First Bank and Trust of Lake Placid, Lake Placid	48,335
	First National Bank of Florida, Tampa (3497)	1,475,093
October 2	First National Bank of Florida, Tampa (3497)	1,518,476
	Tropic Bank of Seminole, Casselberry	23,656
	Florida National Bank, Jacksonville (8321)	3,350,962
November 1	Florida National Bank, Jacksonville (8321)	3,372,299
	Great American Bank of Pinellas, Clearwater	36,811
	Barnett Bank of Pinellas County, National Association, Clearwater (14714)	317,443
December 1C	Barnett Bank of Pinellas County, National Association, Clearwater (14714)	354,255
	GEORGIA	
	Trust Company of Columbus, Columbus	47,319
	Bank of the South, National Association, Atlanta (9617)	1,216,533
July 28	Bank of the South, National Association, Atlanta (9617)	1,260,165
	NBG Cobb Bank, Marietta	197,871
	NBG Gwinnett Bank, Buford	38,756
	NBG Clayton Bank, Riverdale	45,635
	National Bank of Georgia, Atlanta (15541)	905,465
August 1	National Bank of Georgia, Atlanta (15541)	1,106,413
	Atlantic Bank and Trust Company, Savannah	62,412
	Bank of the South, National Association, Atlanta (9617)	1,269,075
August 19	Bank of the South, National Association, Atlanta (9617)	1,320,674
	First National Bank of Thomasville-Thomas County, Thomasville (16280)	37,870
	The First National Bank of Albany, Albany (14907)	76,445
September 1	Trust Company Bank of South Georgia, National Association, Albany (14907)	114,315
	The National Bank of Fitzgerald, Fitzgerald (13550)	40,457
	The Citizens and Southern National Bank, Savannah (13068)	5,675,083
September 30	The Citizens and Southern National Bank, Savannah (13068)	5,715,540*
	The First National Bank of Cartersville, Cartersville (4012)	69,707
	The First National Bank of Atlanta, Atlanta (1559)	4,700,018
[illegible]	The First National Bank of Atlanta, Atlanta (1559)	4,757,392
	The First National Bank of Atlanta, Atlanta (1559)	4,606,948
	[illegible], Americus	59,981
[illegible]	The First National Bank of Atlanta, Atlanta (1559)	4,666,929*

Mergers of national banks, or national and state banks, by states, July 1 to December 31, 1983—continued
(Dollar amounts in thousands)

Effective date	Merging banks Resulting bank	Total assets
	The C & S Bank of Tifton, Tifton	$ 65 407
	The Citizens and Southern National Bank, Savannah (13068)	5 887 162
December 31	The Citizens and Southern National Bank, Savannah (13068)	5 952 569*
	First State National Bank of Bainbridge, Bainbridge (6004)	48 488
	The Citizens and Southern National Bank, Savannah (13068)	5 887 162
December 31	The Citizens and Southern National Bank, Savannah (13068)	5 935 650*
	IDAHO	
	Butte County Bank, Arco	12 983
	First Security Bank of Idaho, National Association, Boise (14444)	1 660 191
November 5	First Security Bank of Idaho, National Association, Boise (14444)	1 673 174*
	ILLINOIS	
	Community National Bank of Quincy, Quincy (15920)	19 115
	First National Bank & Trust Company of Quincy, Quincy (14564)	86,146
November 7	First National Bank & Trust Company of Quincy, Quincy (14564)	105 261*
	INDIANA	
	United Bank, Upland	22,328
	First Valley Bank, Gas City	21,221
	Citizens National Bank of Grant County, Marion (15784)	40 016
July 1	Citizens National Bank of Grant County, Marion (15784)	83,565
	LaFontaine Bank, LaFontaine	12 136
	The First National Bank in Wabash, Wabash (13888)	62,543
September 6	The First National Bank in Wabash, Wabash (13888)	74 679*
	IOWA	
	Brenton National Bank of South Des Moines, Des Moines (14832)	42 970
	Brenton National Bank of Des Moines, Des Moines (14746)	145,413
July 1	Brenton National Bank of Des Moines, Des Moines (14746)	188,383*
	MAINE	
	Casco Bank and Trust Company, Portland	503,294
	Northern National Bank, Presque Isle (13768)	192,675
September 1C	Casco National Bank, National Association, Portland (13768)	695,969
	MARYLAND	
	The First National Bank of Southern Maryland of Upper Marlboro, Upper Marlboro (5471)	107,169
	The First National Bank of Maryland, Baltimore (1413)	3,267,847
August 15	The First National Bank of Maryland, Baltimore (1413)	3,375,016*
	Cumberland Savings Bank, Cumberland	58,146
	The First National Bank of Oakland, Oakland (5623)	131,709
November 21	The First National Bank of Oakland, Oakland (5623)	189,855*
	MASSACHUSETTS	
	The Peoples National Bank of Marlborough, Marlborough (2404)	29,212
	Shawmut Community Bank, N A., Framingham (528)	238,538
July 1	Shawmut Community Bank, N A , Framingham (528)	267,750
	Fall River Trust Company, Fall River	116,799
	Bank of Boston-Bristol, National Association, New Bedford (17578)	123,473
November 21	Bank of Boston-Bristol, National Association, New Bedford (17578)	240,272
	MICHIGAN	
	Commercial National Bank, Ithaca (9654)	69 484
	Central National Bank of Alma, Alma (15001)	28 418
September 30	Commercial National Bank, Alma (15001)	97 902*
	MINNESOTA	
	F & M Bank, Minneapolis	N A
	F & M Marquette National Bank, Minneapolis (11861)	1,329 600
June 26†	F & M Marquette National Bank, Minneapolis (11861)	N A
	First Bank (N A)—Duluth-West, Duluth (12140)	60 322
	First Bank (N A)—Duluth, Duluth (9327)	206 670
August 1C	First Bank (National Association)—Duluth Duluth (9327)	266 992*
	Security State Bank, Savage	12 461
	Suburban National Bank, Eden Prairie (16559)	34 361
October 14	Suburban National Bank, Eden Prairie (16559)	46 822*
	First State Bank of Babbitt, Babbitt	13 063
	The First National Bank of Virginia, Virginia (6527)	104 509
November 1C	The First National Bank of Virginia, Virginia (6527)	117 572*
	MISSISSIPPI	
	The First National Bank of Laurel, Laurel (6681)	129 330
	Deposit Guaranty National Bank, Jackson (15548)	2 090 735
August 1	Deposit Guaranty National Bank, Jackson (15548)	2 220 065

Mergers of national banks, or national and state banks, by states, July 1 to December 31, 1983—continued
(Dollar amounts in thousands)

Effective date	*Merging banks* / *Resulting bank*	*Total assets*
	MISSOURI	
	City Bank, St. Louis	$ 89,241
	American National Bank in St. Louis, St. Louis (13726)	84,840
December [illegible]	CharterBank St. Louis National Association, St. Louis (13726)	174,081*
	Boatmen's Springfield National Bank, Springfield (15793)	50,980
	Boatmen's Union National Bank of Springfield, Springfield (5209)	310,552
December 30	The Boatmen's National Bank of Springfield, Springfield (5209)	361,532*
	NEW JERSEY	
	First National Bank of New Jersey, Totowa (329)	1,154,001
	First National State Bank—Hudson, Bayonne (12990)	30,484
September 6	First National State Bank, Bayonne (12990)	1,184,485*
	United Jersey Bank Central, Elizabeth	176,896
	The First National Bank of Princeton, Princeton (4872)	254,252
September 9	United Jersey Bank, National Association, Princeton (4872)	431,148*
	Bergen State Bank, Bergenfield	139,838
	Citizens First National Bank of New Jersey, Ridgewood (11759)	964,383
October 1	Citizens First National Bank of New Jersey, Ridgewood (11759)	1,104,221*
	Northeastern Bank, Paterson	229,771
	American National Bank, Morristown (4274)	825,368
December 31	Horizon Bank, National Association, Morristown (4274)	1,055,139*
	NEW YORK	
	The Sullivan County National Bank of Liberty, Liberty (4925)	105,480
	The Rondout National Bank, Kingston (1120)	75,725
	Highland National Bank of Newburgh, Newburgh (1106)	277,144
July 1	Norstar Bank of the Hudson Valley, National Association, Newburgh (1106)	460,087
	Key Bank, Jamestown	127,315
	Key Bank of Western New York N.A., Wellsville (4988)	264,901
December 16	Key Bank of Western New York National Association, Jamestown (4988)	390,791
	NORTH CAROLINA	
	Central Carolina Bank and Trust Company, Durham	759,340
	Central Carolina Bank and Trust Company, National Association, Durham (17850)	240
July 1	Central Carolina Bank and Trust Company, National Association, Durham (17850)	759,580*
	Piedmont Bank and Trust Company, Charlotte	152,338
	First Union National Bank, Charlotte (15650)	6,030,204
December 31	First Union National Bank, Charlotte (15650)	6,182,542*
	OHIO	
	Bank One of Pomeroy, N.A., Pomeroy (1980)	44,667
	Bank One of Southeastern Ohio, National Association, Athens (7744)	98,274
July 1	Bank One of Southeastern Ohio, National Association, Athens (7744)	142,941
	The First National Bank & Trust Company, Troy (16608)	120,326
	Peoples National Bank, Versailles (9336)	31,636
July 1	The First National Bank & Trust Company, Troy (9336)	151,963
	Maumee Valley National Bank, Defiance (14300)	140,335
	The Peoples National Bank of Delphos, Delphos (12196)	59,706
August 15	Maumee Valley National Bank, Defiance (12196)	164,041
	Bank One of Ravenna, N.A., Ravenna (5370)	153,084
	Bank One of Akron, National Association, Akron (17008)	555,237
September 1	Bank One, Akron, National Association, Akron (17008)	708,321
	The American Bank, Port Clinton	62,952
	The Fremont Savings Bank Company, Fremont	70,177
	Society National Bank of Northwest Ohio, Fostoria (15591)	129,120
September 19	Society National Bank of Northwest Ohio, Fostoria (15591)	262,249
	The Third National Bank of Western Ohio, Celina (5523)	163,408
	The Third National Bank and Trust Company, Dayton (10)	777,475
October [illegible]	The Third National Bank and Trust Company, Dayton (10)	940,883
	First National Bank of Elyria, Elyria (14968)	62,982
	National City Bank, Cleveland (786)	3,858,101
November [illegible]	National City Bank, Cleveland (786)	3,904,341
	The Willard United Bank, Willard	85,338
	First Buckeye Bank, National Association, Mansfield (2577)	308,662
December [illegible]	First Buckeye Bank, National Association, Mansfield (2577)	394,000*
	SOUTH CAROLINA	
	The Bank of Beaufort, Beaufort	133,648
	First National Bank of South Carolina, Columbia (13720)	1,530,256
[illegible]	[illegible] Bank of South Carolina, Columbia (13720)	1,646,572
	[illegible], Gaffney	29,310
	The South Carolina National Bank, Charleston (2044)	2,046,560
[illegible]	The South Carolina National Bank, Charleston (2044)	2,077,010

Mergers of national banks, or national and state banks, by states, July 1 to December 31, 1983—continued

(Dollar amounts in thousands)

Effective date	*Merging banks* / *Resulting bank*	*Total assets*
	SOUTH DAKOTA	
	First Mitchell National Bank, Mitchell (3578)	97 231
	Northwestern National Bank of Sioux Falls, Sioux Falls (10592)	549 495
August 1	Northwestern National Bank of Sioux Falls, Sioux Falls (10592)	646 716*
	Miners and Merchants Bank, Lead	14 347
	First National Bank in Pierre, Pierre (14252)	41 482
November 11	First National Bank in Pierre, Pierre (14252)	55 829*
	TENNESSEE	
	First American Bank of Anderson County, Clinton	97 832
	FAB National Bank, Clinton (17909)	120
August 14	First American National Bank of Anderson County, Clinton (17909)	97 832
	The First National Bank of Gibson County, Humboldt (15056)	27 883
	The National Bank of Commerce of Jackson, Jackson (12790)	125 997
November 1	The National Bank of Commerce of Jackson, Jackson (12790)	153 880
	Park National Bank of Knoxville, Knoxville (2049)	615 789
	First American National Bank of Knoxville, Knoxville (17839)	102 800
November 5	First American National Bank of Knoxville, Knoxville (17839)	718 589
	The National Bank of Commerce of Jackson, Jackson (12790)	130 257
	Union Planters National Bank of Memphis, Memphis (13349)	1 721 749
December 30	Union Planters National Bank, Memphis (13349)	1,852 006*
	Bank of Eagleville, Eagleville	8,815
	Union Planters National Bank of Memphis, Memphis (13349)	1 721 749
December 30	Union Planters National Bank, Memphis (13349)	1 730 564*
	VIRGINIA	
	The First National Bank of New Castle, New Castle (10993)	11 232
	The First National Bank of Rocky Mount, Rocky Mount (16406)	33 772
November 1	The First National Bank of Rocky Mount, Rocky Mount (16406)	45 004*
	First & Merchants National Bank, Richmond (1111)	2,839 934
	Virginia National Bank, Norfolk (9885)	4,014 760
December 30	Sovran Bank, National Association, Richmond (1111)	6,854 694*
	The Wise County National Bank, Wise (6235)	109,879
	Virginia National Bank, Norfolk (9885)	4 014 760
December 30	Sovran Bank, National Association, Richmond (1111)	4 124 639*
	WEST VIRGINIA	
	The Suncrest National Bank, Morgantown (15810)	44 915
	The First National Bank of Morgantown, Morgantown (14396)	176 917
July 1	The First National Bank of Morgantown, Morgantown (14396)	221 891
	Weirton National Bank, Weirton (16651)	30 827
	First Wetzel National Bank, New Martinsville (16639)	9 487
July 1	First Wetzel National Bank, New Martinsville (16639)	40 314
	First Wetzel National Bank, New Martinsville (16639)	40 314
	Wheeling National Bank, Wheeling (16696)	91 319
July 1	Wheeling National Bank, Wheeling (16696)	131 634
	Middletown National Bank, Fairmont (15842)	26 619
	Community Bank and Trust, N A , Fairmont (15760)	140 041
October 1	Community Bank and Trust, National Association, Fairmont (15760)	166 660*
	The Bank of Dunbar, Dunbar	78 875
	The Parkersburg National Bank, Parkersburg (1427)	225 074
October 12	The Parkersburg National Bank, Parkersburg (1427)	303 949*
	Suburban National Bank of Martinsburg, Martinsburg (16134)	14 304
	The Old National Bank of Martinsburg, Martinsburg (6283)	80 186
	The New Old National Bank of Martinsburg, Martinsburg (6283)	240
November 1	The Old National Bank of Martinsburg, Martinsburg (6283)	94 730*
	WISCONSIN	
	First Bank, Southeast, National Association, Kenosha (14522)	56 544
	First Bank Southeast of West Kenosha, Kenosha	16 171
	First Bank Southeast of Racine County, National Association, Franksville (15380)	58 866
October 1	First Bank Southeast, National Association, Franksville (15380)	131 581*
	First Bank Southeast of Twin Lakes, Twin Lakes	12 08[illegible]
	First Bank Southeast of Darien, Darien	8 850
	First Bank Southeast of Silver Lake, Silver Lake	12 680
	First Bank Southeast of Lake Geneva, National Association, Lake Geneva (3125)	58 8[illegible]9
October 1	First Bank Southeast of Lake Geneva, National Association, Lake Geneva (3125)	92 440*
	WYOMING	
	State Bank of Big Piney, Big Piney	[illegible]
	First Wyoming Bank, National Association-Big Piney, Big Piney (17865)	[illegible]
July 12	First Wyoming Bank, National Association-Big Piney, Big Piney (17865)	[illegible]
	Bank of Laramie, Laramie	[illegible]
	First Wyoming Bank, National Association-Laramie, Laramie (17866)	[illegible]
July 12	First Wyoming Bank, National Association-Laramie, Laramie (17866)	[illegible]

* Actual asset information for these mergers was not available at press time. The figures for total assets were [illegible]

C Consolidation

NOTE Comparable information for January 1 to June 30, 1983 can be found in Volume [illegible] Number [illegible]

Mergers* consummated pursuant to corporate reorganizations, by states, July 1 to December 31, 1983
(Dollar amounts in thousands)

Effective date	Operating bank New bank Resulting bank	Total assets
	ALABAMA	
	The First National Bank of Tuskaloosa, Tuscaloosa	
	Tuskaloosa National Bank, Tuscaloosa	
July 1[illegible]	The First National Bank of Tuskaloosa, Tuscaloosa	$275,261
	The First National Bank of Greenville, Greenville	
	The First National Interim Bank of Greenville, Greenville	
September [illegible]	The First National Bank of Greenville, Greenville	76,420
	The First National Bank of Florence, Florence	
	First Florence Interim Bank, National Association	
November 30	The First National Bank of Florence, Florence	260,259
	The First National Bank of Jasper, Jasper	
	First Jasper Interim Bank, National Association, Jasper	
December 12	The First National Bank of Jasper, Jasper	203,864
	ARKANSAS	
	First National Bank of Camden, Camden	
	Interim National Bank, Camden	
October 31	First National Bank of Camden, Camden	87,698
	The First National Bank of Fordyce, Fordyce	
	New First National Bank of Fordyce, Fordyce	
December 19C	The First National Bank of Fordyce, Fordyce	30,204†
	First National Bank of Magnolia, Magnolia	
	Interim Magnolia National Bank, Magnolia	
December 31	First National Bank of Magnolia, Magnolia	144,604†
	CALIFORNIA	
	The National Bank of Carmel, Carmel-by-the-Sea	
	The Interim National Bank of Carmel, Carmel-by-the-Sea	
August 8	The National Bank of Carmel, Carmel-by-the-Sea	48,191
	National Bank of La Jolla, La Jolla	
	New National Bank of La Jolla, La Jolla	
August 12	National Bank of La Jolla, La Jolla	41,231†
	Mission Viejo National Bank, Mission Viejo	
	New Mission Viejo National Bank, Mission Viejo	
October 24	Mission Viejo National Bank, Mission Viejo	38,267†
	DISTRICT OF COLUMBIA	
	The National Bank of Washington, Washington	
	The New National Bank of Washington, Washington	
August 24	The National Bank of Washington, Washington	1,019
	FLORIDA	
	First National Bank of Bonita Springs, Bonita Springs	
	First National Interim Bank of Bonita Springs, Bonita Springs	
October 1	First National Bank of Bonita Springs, Bonita Springs	63,585
	Citizens National Bank of Leesburg, Leesburg	
	Citizens Interim Bank, N.A., Leesburg	
October 1	Citizens National Bank of Leesburg, Leesburg	114,984
	Flagler National Bank of the Palm Beaches, West Palm Beach	
	Flagler Interim National Bank, West Palm Beach	
October 1	Flagler National Bank of the Palm Beaches, West Palm Beach	130,977
	GEORGIA	
	First National Bank in Elberton, Elberton	
	First Interim National Bank in Elberton, Elberton	
September 1	First National Bank in Elberton, Elberton	59,120
	First National Bank of West Point, West Point	
	Interim National Bank of West Point, West Point	
October 1[illegible]	First National Bank of West Point, West Point	51,785
	First National Bank in Waycross, Waycross	
	First Interim National Bank in Waycross, Waycross	
October [illegible]	First National Bank in Waycross, Waycross	46,214
	The National City Bank of Rome, Rome	
	The Interim National Bank of Rome, Rome	
November [illegible]	The National City Bank of Rome, Rome	131,234†
	[illegible]	
	[illegible] County National Bank, Morris	
	[illegible] Grundy County, Morris	
[illegible]	[illegible] County National Bank, Morris	68,441
	[illegible]	
	[illegible]	
[illegible]	[illegible]	82,593†
	[illegible]	
	[illegible]	
[illegible]	[illegible]	32,561

Mergers consummated pursuant to corporate reorganizations, by states, July 1 to December 31, 1983—continued*

(Dollar amounts in thousands)

Effective date	*Operating bank* *New bank* *Resulting bank*	*Total assets*
	First National Bank and Trust Company of Oak Brook, Oak Brook	
	FNBOB National Bank, Oak Brook	
September 30	First National Bank of Oak Brook, Oak Brook	38 890†
	First National Bank of Lake Zurich, Lake Zurich	
	FNLZ National Bank, Lake Zurich	
November 1	First National Bank of Lake Zurich, Lake Zurich	15 086†
	First National Bank of Mount Prospect, Mount Prospect	
	FNMP National Bank, Mount Prospect	
November 1C	First National Bank of Mount Prospect, Mount Prospect	167 425†
	The First National Bank of Sparta, Sparta	
	FBS National Bank, Sparta	
November 14	The First National Bank of Sparta, Sparta	2 118
	The Old National Bank of Centralia, Centralia	
	Marion County National Bank, Centralia	
November 28	The Old National Bank of Centralia, Centralia	101 550
	National Bank of Mount Olive, Mount Olive	
	NBM Bank, National Association, Mount Olive	
November 30	National Bank of Mount Olive, Mount Olive	18,974†
	The First National Bank of Carmi, Carmi	
	F.C. National Bank, Carmi	
December 1	The First National Bank of Carmi, Carmi	62 650†
	Du Quoin National Bank, Du Quoin	
	WMS National Bank of Du Quoin, Du Quoin	
December 16	Du Quoin National Bank, Du Quoin	53,709†
	First National Bank in Pinckneyville, Pinckneyville	
	First Main Street National Bank, Pinckneyville	
December 21	First National Bank in Pinckneyville, Pinckneyville	36,444†
	Airport National Bank, Bethalto	
	ANB National Bank, Bethalto	
December 30	Airport National Bank, Bethalto	18,366†
	Citizens National Bank of Macomb, Macomb	
	Citizens Bank, National Association, Macomb	
December 30	Citizens National Bank of Macomb, Macomb	73,237†
	INDIANA	
	First National Bank and Trust Company of La Porte, La Porte	
	La Porte County National Bank, La Porte	
July 1	First National Bank and Trust Company of La Porte, La Porte	126,910
	The First-Merchants National Bank of Michigan City, Michigan City	
	Michigan City National Bank, Michigan City	
October 31	The First-Merchants National Bank of Michigan City, Michigan City	173 455
	KANSAS	
	Union National Bank of Wichita, Wichita	
	UNI National Bank of Wichita, Wichita	
July 15C	Union National Bank of Wichita, Wichita	285,270
	First National Bank in Goodland, Goodland	
	KNB National Bank, Goodland	
December 1C	The First National Bank in Goodland, Goodland	54 541†
	KENTUCKY	
	The Citizens National Bank of Danville, Danville	
	CBD Bank, National Association, Danville	
September 1	The Citizens National Bank of Danville, Danville	36 909
	The Peoples First National Bank & Trust Company of Paducah, Paducah	
	PFN Bank, National Association, Paducah	
September 19	The Peoples First National Bank & Trust Company of Paducah, Paducah	209 955
	The Farmer's National Bank of Danville, Danville	
	Boyle National Bank, Danville	
October 4	The Farmer's National Bank of Danville, Danville	64 437†
	First National Bank in London, London	
	New First National Bank in London, London	
December 5	First National Bank in London, London	60 012†
	The First National Bank and Trust Company of Corbin, Corbin	
	New First National Bank and Trust Company of Corbin, Corbin	
December 16	The First National Bank and Trust Company of Corbin, Corbin	102 824†
	Cumberland Valley National Bank & Trust Company, London	
	CV National Bank, London	
December 16	Cumberland Valley National Bank & Trust Company, London	134 834†
	LOUISIANA	
	Citizens National Bank, Hammond	
	CNB National Bank, Hammond	
July 12	Citizens National Bank, Hammond	[illegible]

Mergers consummated pursuant to corporate reorganizations, by states, July 1 to December 31, 1983—continued*

(Dollar amounts in thousands)

Effective date	Operating bank New bank Resulting bank	Total assets
	MASSACHUSETTS	
July 1	The Home National Bank of Milford, Milford Homebank, National Association, Milford The Home National Bank of Milford, Milford	84,897
October 1	Suburban National Bank of Arlington, Arlington Suburban Bank, National Association, Arlington Suburban National Bank of Arlington, Arlington	18,723
	MISSISSIPPI	
September 20	First National Bank, New Albany Interim National Bank of New Albany, New Albany First National Bank, New Albany	99,681
December 31	First Citizens National Bank, Tupelo First Citizens National Interim Bank, Tupelo First Citizens National Bank, Tupelo	179,784†
	NEW YORK	
September 1	Glens Falls National Bank and Trust Company, Glens Falls GF National Bank, National Association, Glens Falls Glens Falls National Bank and Trust Company, Glens Falls	220,796†
December 31	Hudson Valley National Bank, Yonkers HV National Bank, Yonkers Hudson Valley National Bank, Yonkers	82,724
	NORTH CAROLINA	
December 20	The Concord National Bank, Concord CNB National Bank, Concord The Concord National Bank, Concord	56,784
	OHIO	
November 1	First National City Bank of Alliance, Alliance Bank One, Alliance, National Association, Alliance Bank One, Alliance, National Association, Alliance	121,466
December 12	Elyria Savings & Trust National Bank, Elyria EST National Bank, Elyria Elyria Savings & Trust National Bank, Elyria	339,387†
	PENNSYLVANIA	
July 1	Downingtown National Bank, Downingtown Downingtown Interim National Bank, Downingtown Downingtown National Bank, Downingtown	77,846†
July 1	Adams County National Bank, Cumberland Township (P.O. Gettysburg) ACNB Interim National Bank, Cumberland Township (P.O. Gettysburg) Adams County National Bank, Cumberland Township (P.O. Gettysburg)	193,506
July 26	The First National Bank and Trust Company of Newtown, Newtown FNB Interim National Bank, Newtown First National Bank and Trust Company of Newtown, Newtown	97,214
August 31	The Cement National Bank, Northampton, Pa., Northampton New Cement National Bank, Northampton Cement National Bank, Northampton	207,439†
September 1	The Miners National Bank of Pottsville, Pottsville Miners Interim National Bank, Pottsville The Miners National Bank, Pottsville	117,154
September 1	The McDowell National Bank of Sharon, Sharon Interim McDowell National Bank, Sharon McDowell National Bank, Sharon	302,650†
October 1	Citizens National Bank and Trust Company of Waynesboro, Waynesboro Citizens Interim National Bank and Trust Company of Waynesboro, Waynesboro Citizens National Bank and Trust Company of Waynesboro, Waynesboro	56,025
October 31	The Citizens National Bank of Slatington, Slatington CNBS National Bank, Slatington The Citizens National Bank of Slatington, Slatington	28,823
November [illegible]	Nazareth National Bank and Trust Company, Nazareth NNBT National Bank, Nazareth Nazareth National Bank and Trust Company, Nazareth	110,247†
November [illegible]	The First National Bank of Lake Ariel, Lake Ariel FNB National Bank of Lake Ariel, Lake Ariel The First National Bank of Lake Ariel, Lake Ariel	25,773†
[illegible]	[illegible] National Bank and Trust Company, Easton [illegible] National Interim Bank and Trust Company, Allentown [illegible] National Bank and Trust Company, Easton	263,836†

Mergers consummated pursuant to corporate reorganizations, by states, July 1 to December 31, 1983—continued*

(Dollar amounts in thousands)

Effective date	*Operating bank* *New bank* *Resulting bank*	*Total assets*
	SOUTH CAROLINA	
	The National Bank of South Carolina, Sumter	
	New National Bank of South Carolina, Sumter	
August 15	The National Bank of South Carolina, Sumter	245 161
	Republic National Bank, Columbia	
	New Republic National Bank, Columbia	
November 21	Republic National Bank, Columbia	24 992
	TENNESSEE	
	The First National Bank of Dickson, Dickson	
	First National Dickson Interim Bank, Dickson	
July 1	The First National Bank of Dickson, Dickson	72,426
	First-Citizens National Bank of Dyersburg, Dyersburg	
	Interim National Bank of Dyersburg, Dyersburg	
September 23C	First-Citizens National Bank of Dyersburg, Dyersburg	139 785
	The First National Bank of Lewisburg, Lewisburg	
	First National Lewisburg Interim Bank, Lewisburg	
October 1	The First National Bank of Lewisburg, Lewisburg	52,740†
	TEXAS	
	Westhollow National Bank, Houston	
	Westhollow Bank, National Association, Houston	
September 3	Westhollow National Bank, Houston	13,621†
	Eisenhower National Bank, Fort Sam Houston, San Antonio	
	New Eisenhower National Bank, Fort Sam Houston, San Antonio	
September 30	Eisenhower National Bank, Fort Sam Houston, San Antonio	26,873
	Metropolitan National Bank, Farmers Branch	
	MNB Farmers Branch National Bank, Farmers Branch	
October 1	Metropolitan National Bank, Farmers Branch	25,205
	Metropolitan National Bank—Richardson, Richardson	
	MNB Richardson National Bank, Richardson	
October 1	Metropolitan National Bank—Richardson, Richardson	14 139
	Grand Bank Airport Freeway at Highway 157, National Association, Bedford	
	Grand National Bank, Bedford	
October 31C	Grand Bank Airport Freeway at Highway 157, National Association, Bedford	12 416
	Commercial National Bank of Longview, Longview	
	Allied Bank Longview, National Association, Longview	
November 1	Allied Bank Longview, National Association, Longview	30,754
	American National Bank, Bay City	
	New American National Bank, Bay City	
November 1	American National Bank, Bay City	17 529†
	VERMONT	
	The Bradford National Bank, Bradford	
	New Bradford National Bank, Bradford	
July 1	The Bradford National Bank, Bradford	34,797†
	Community National Bank, Derby	
	New Community National Bank, Derby	
October 1	Community National Bank, Derby	56 777†
	VIRGINIA	
	The Wise County National Bank, Wise	
	Main Street National Bank, Wise	
July 1	The Wise County National Bank, Wise	109 534†
	The First National Bank of Strasburg, Strasburg	
	Strasburg National Bank, Strasburg	
September 12	The First National Bank of Strasburg, Strasburg	46 584†
	The First National Bank of Emporia, Emporia	
	Second National Bank of Emporia, Emporia	
December 31	The First National Bank of Emporia, Emporia	34 517
	WEST VIRGINIA	
	Beckley National Bank, Beckley	
	Appalachian National Bank, Beckley	
July 1	Beckley National Bank, Beckley	192 634
	Kanawha Banking & Trust Company National Association, Charleston	
	Kanawha National Bank, Charleston	
July 1	Kanawha Banking & Trust Company National Association, Charleston	[illegible]
	The National Bank of Keyser, Keyser	
	Interim National Bank of Keyser, Keyser	
September 19	The National Bank of Keyser, Keyser	[illegible]
	The First Huntington National Bank, Huntington	
	First Huntington Interim National Bank, Huntington	
December 11	The First Huntington National Bank, Huntington	[illegible]

Mergers consummated pursuant to corporate reorganizations, by states, July 1 to December 31, 1983—continued*

(Dollar amounts in thousands)

Effective date	*Operating bank* *New bank* *Resulting bank*	*Total assets*
	WISCONSIN	
	First National Bank in Manitowoc, Manitowoc FNM National Bank, Manitowoc	
August 1	First National Bank in Manitowoc, Manitowoc	91,413†
	The First National Bank and Trust Company of Beloit, Beloit Centre 1 Interim National Bank, Beloit	
October 1	The First National Bank and Trust Company of Beloit, Beloit	107,171†

* Includes consolidations effected pursuant to corporate reorganizations. Does not include transactions involving more than a single operating bank. Those transactions may be found on p. 203.
† Actual asset information for these transactions was not available at press time. The figures were statistically estimated.
C Consolidation

NOTE: Comparable information for January 1 to June 30, 1983, can be found in Volume 2, Number 3, *Quarterly Journal*, p. 182.

Purchases of state banks by national banks, by states, July 1 to December 31, 1983
(Dollar amounts in thousands)

Title and location of bank	*Effective date*	*Total assets of state banks*
Total 10 banks		$546 311
COLORADO		
Central Bank at Stapleton, National Association, Denver (17934), purchased The Dominion Bank of Denver, Denver	September 30	16 709
MINNESOTA		
Norwest Bank Owatonna, National Association, Owatonna (16196), purchased First State Bank of Medford, Medford	October 1	4 747
MISSISSIPPI		
First National Bank of Jackson, Jackson (10523), purchased Canton Exchange Bank, Canton	December 15	93,522
NEW JERSEY		
The National State Bank, Elizabeth, N J., Elizabeth (1436), purchased Elizabeth Savings Bank, Elizabeth	August 9	31 995
The National State Bank, Elizabeth, N J., Elizabeth (1436), purchased The Essex Bank, West Orange	September 1	29,908
OREGON		
United States National Bank of Oregon, Portland (4514), purchased The Deschutes Bank, Redmond	October 7	10,207
SOUTH CAROLINA		
The Citizens and Southern National Bank of South Carolina, Charleston (14425) purchased Farmers and Merchants Bank, Aiken	August 27	137,888
TENNESSEE		
First American Bank—Eastern, National Association, Kingsport (10842) purchased First Peoples Bank of Washington County, Johnson City	July 29	177,785
First American National Bank of Nashville, Nashville (3032) purchased United Southern Bank of Clarksville, Clarksville	August 26	9,943
TEXAS		
Mid-Cities National Bank, Midland (17874) purchased Metro Bank, Midland	July 31	33,607

NOTE. Comparable information for January 1 to June 30, 1983, can be found in Volume 2, Number 3, *Quarterly Journal*, p 186

National banks reported in liquidation, by states, July 1 to December 31, 1983
(Dollar amounts in thousands)

Title and location of bank	*Effective date*	*Total assets of liquidated bank*
Total: 8 national banks		$1,871 582
FLORIDA		
Jacksonville National Bank (14953), Jacksonville, absorbed by Ellis National Bank of Jacksonville (18022) Jacksonville	December 16	107,596
OHIO		
The Poeples' National Bank of Wapakoneta (3535), Wapakoneta, absorbed by The FTB Seventh National Bank (17907), Wapakoneta	September 1	49 245
PENNSYLVANIA		
The West End National Bank of Shamokin (12805), Shamokin, absorbed by First National Trust Bank (1237), Sunbury	August 8	11 616
The First National Bank of Newville (60), Newville, absorbed by CCNB Bank, National Association (14542), New Cumberland	November 1	13 889
TEXAS		
National Bank of Odessa, Odessa (14851), absorbed by First State Bank of Odessa, National Association, Odessa (17935)	October 1	77 720
The First National Bank of Midland, Midland (4368) absorbed by RepublicBank First National Midland, Midland (17956)	October 14	1 547 489
WEST VIRGINIA		
The South Berkeley National Bank (16341), Inwood, absorbed by The Peoples National Bank of Martinsburg, West Virginia (16088), Martinsburg	August 26	10,822
Citizens National Bank of St Albans (15777), St Albans, absorbed by The Citizens National Bank of St Albans (17987), St Albans	November [illegible]	53,205

NOTE Comparable information for January 1 to June 30, 1983 can be found in Volume 2, Number 3, *Quarterly Journal*, p 187

National banks merged or consolidated with state banks, by states, July 1 to December 31, 1983

(Dollar amounts in thousands)

Title and location of bank	*Effective date*	*Total assets of national banks*
[illegible]		$1,062,725
CALIFORNIA		
[illegible] National Bank, Fresno (16979), merged into Fresno Bank of Commerce, Fresno, under title of [illegible] Bank of Commerce	December 30	19,680
INDIANA		
The First National Bank of Mishawaka, Mishawaka (5167), merged into First Source Bank, South Bend, under title of "First Source Bank"	July 1	156,780
MAINE		
Canal National Bank, Portland (941), merged into Depositors Trust Co. of Southern Maine, Portland, under title of "Canal Bank & Trust Company"	August 31	282,123
NEW MEXICO		
First City National Bank, Albuquerque (17514), merged into Rio Grande Valley Bank, Albuquerque, under title of "Rio Grande Valley Bank"	July 1	209,268
NEW YORK		
Peninsula National Bank, Cedarhurst (11854), merged into Norstar Bank of Long Island, Hempstead, under title of "Norstar Bank of Long Island"	July 1	111,229
PENNSYLVANIA		
The Farmers National Bank of Quarryville, Quarryville (8045), merged into Farmers First Bank, Lititz, under title "Farmers First Bank"	October 1	48,792
The Farmers National Bank of Athens, Athens (4915), merged into Citizens & Northern Bank, Ralston, under title "Citizens & Northern Bank"	December 31	23,300
VIRGINIA		
The First National Bank of Lexington, Lexington (4314)		13,661
The Peoples National Bank of Leesburg, Leesburg (3917)		56,220
The Shenandoah Valley National Bank of Winchester, Winchester (1635)		90,049
merged into First American Bank of Virginia, McLean, under title "First American Bank of McLean"	December 31	
WISCONSIN		
Marine National Bank of Waukesha (15081) consolidated with Marine Bank Kettle Moraine, Delafield, under title of "Marine Bank Kettle Moraine"	July 8	51,623

NOTE: Comparable information for January 1 to June 30, 1983, can be found in Volume 2, Number 3, *Quarterly Journal*, p. 186.

National banks converted to state banks, by states, July 1 to December 31, 1983

(Dollar amounts in thousands)

Charter number	*Title and location of bank*	*Effective date*	*Total assets*
	[illegible]		$133,654
	ALABAMA		
[illegible]	[illegible] Bank, National Association, Pelham, converted to First American Bank of [illegible]	December 30	10,512
	CALIFORNIA		
[illegible]	[illegible] converted to Pioneer Bank, Fullerton	December 31	30,299
	[illegible]		
[illegible]	[illegible] converted to [illegible]	December 30	[illegible]
	[illegible]		
[illegible]	[illegible]	December 31	[illegible]

[illegible] Volume 2, Number 3, *Quarterly Journal*, p. 187.

Consolidated assets and liabilities of national banks with foreign operations, September 30, 1983
(Dollar amounts in millions)

	Foreign and domestic offices*	*Domestic offices*
Cash and due from depository institutions	$155 209	$ 73 480
U S Treasury securities	32,841	32 733
Obligations of other U S government agencies and corporations	12,316	12 296
Obligations of states and political subdivisions in the United States	39,712	39 138
Other bonds, notes and debentures	6,868	1 542
Federal Reserve stock and corporate stock	1,065	950
Trading account securities	9,894	8 836
Federal funds sold and securities purchased under agreements to resell	28,730	28 505
Loans, total (excluding unearned income)	533,394	400 015
Less Allowance for possible loan losses	6,339	6 101
Loans, net	527,055	393 914
Lease financing receivables	9,798	7 901
Bank premises, furniture and fixtures, and other assets representing bank premises	12,546	10 995
Real estate owned other than bank premises	1,837	1 756
Investments in unconsolidated subsidiaries and associated companies	1,382	328
Customers' liability on acceptances outstanding	43,429	34 511
Other assets	22,182	41,203
Total assets	904,864	688,087
Demand deposits of individuals, partnerships and corporations	99,438	99,438
Time and savings deposits of individuals, partnerships and corporations	295,251	295,251
Deposits of U S government	1,052	1,052
Deposits of states and political subdivisions in the United States	17,820	17,820
Deposits of foreign governments and official institutions	4,579	4 579
Deposits of commercial banks	31,219	31,219
Certified and officers' checks	4,737	4 737
Total deposits in domestic offices	454,096	454,096
Total demand deposits	127,763	127,763
Total time and savings deposits	326,333	326,333
Total deposits in foreign offices*	205,827	NA
Total deposits	659,923	454 096
Federal funds purchased and securities sold under agreements to repurchase	96,393	96 128
Interest-bearing demand notes issued to the U.S. Treasury	10,520	10 520
Other liabilities for borrowed money	21,761	9 982
Mortgage indebtedness and liabilities for capitalized leases	1,125	1,115
Banks' liability on acceptances executed and outstanding	43,526	36 931
Other liabilities	24,399	32 334
Total liabilities	857,648	641 107
Subordinated notes and debentures	2,910	2 674
Preferred stock	83	83
Common stock	8,087	8 087
Surplus	13,075	13 075
Undivided profits	22 802	22 802
Reserve for contingencies and other capital reserves	260	260
Total equity capital	44 306	44 306
Total liabilities and equity capital	904,864	688 087
Number of banks	134	

* For reporting purposes, foreign offices include Edge and Agreement subsidiaries located in the U S and branches in Puerto Rico U S Virgin Islands and U S Trust Territories

Domestic office deposits of national banks, by states, September 30, 1983
(Dollar amounts in millions)

	Demand deposits of individuals partnerships and corporations	All other demand deposits	NOW and automatic transfer accounts	All other savings accounts	Money market certificates of deposit	Time certificates of deposit of $100,000 or more	Other time deposits of $100,000 or more	All other time deposits	Total domestic deposits
All national banks	$164,904	$40,611	$37,154	$215,422	$102,325	$137,619	$27,808	$87,634	$813,477
Alabama	2,020	403	389	2,031	1,893	1,015	394	1,068	9,213
Alaska	631	80	22	565	111	256	3	56	1,724
Arizona	2,258	263	367	3,643	1,769	619	6	1,222	10,147
Arkansas	1,129	291	334	1,758	1,160	729	41	748	6,190
California	22,853	3,753	5,154	39,804	9,181	22,207	6,528	8,183	117,663
Colorado	2,871	735	612	3,370	831	2,356	93	936	11,804
Connecticut	1,873	561	421	2,055	821	666	84	710	7,191
Delaware	105	24	15	250	75	710	24	104	1,307
District of Columbia	2,061	356	436	1,907	336	1,850	376	277	7,599
Florida	7,739	1,579	2,525	12,190	5,098	3,150	441	2,758	35,480
Georgia	3,531	833	650	2,633	1,215	1,416	74	1,663	12,015
Hawaii	33	3	3	58	24	53	0	6	180
Idaho	617	82	275	1,040	824	459	3	550	3,850
Illinois	9,695	3,071	1,660	10,686	6,683	12,952	4,473	6,249	55,469
Indiana	2,536	850	618	4,019	3,455	1,727	37	2,894	16,136
Iowa	982	419	378	1,513	1,379	394	20	1,432	6,517
Kansas	1,207	425	406	1,767	1,377	835	115	1,049	7,181
Kentucky	1,591	371	472	1,645	1,572	750	29	1,303	7,733
Louisiana	2,736	636	513	2,702	1,565	2,815	40	1,056	12,063
Maine	332	63	159	497	249	80	5	163	1,548
Maryland	2,304	408	341	2,883	981	619	22	1,283	8,841
Massachusetts	4,031	1,179	836	3,986	659	2,898	467	866	14,922
Michigan	4,451	1,003	781	7,398	4,687	3,061	74	2,754	24,209
Minnesota	3,277	1,032	777	3,712	2,158	3,526	456	2,782	17,720
Mississippi	979	322	247	1,234	988	727	9	901	5,407
Missouri	2,670	1,248	516	1,923	1,602	2,660	128	1,264	12,011
Montana	432	77	205	707	728	248	2	413	2,812
Nebraska	1,043	493	433	1,240	1,440	559	8	1,288	6,504
Nevada	660	74	180	659	317	447	—	169	2,506
New Hampshire	397	66	203	709	191	165	3	223	1,957
New Jersey	5,601	1,035	927	8,030	3,402	1,613	84	2,951	23,643
New Mexico	709	141	176	1,309	536	1,029	8	425	4,333
New York	18,177	5,634	2,724	20,929	6,605	12,595	9,473	6,599	82,736
North Carolina	3,630	471	1,131	4,295	1,956	1,419	145	2,091	15,138
North Dakota	324	42	182	542	512	187	4	591	2,384
Ohio	6,080	987	1,765	9,527	5,383	3,092	125	5,441	32,400
Oklahoma	2,600	753	573	2,790	2,303	5,013	16	1,271	15,319
Oregon	1,582	232	828	2,538	1,508	469	—	1,000	8,157
Pennsylvania	7,936	1,625	1,343	13,225	6,178	6,033	631	6,577	43,548
Rhode Island	733	120	119	1,069	485	671	137	500	3,834
South Carolina	1,385	193	476	1,493	659	230	1	640	5,077
South Dakota	398	52	243	996	726	1,755	—	907	5,077
Tennessee	2,187	887	571	2,940	2,459	1,420	28	1,289	11,781
Texas	16,334	6,076	3,065	12,978	7,691	26,934	2,792	4,779	80,649
Utah	849	122	293	1,015	677	667	4	330	3,957
Vermont	101	16	45	259	91	30	12	131	685
Virginia	2,469	272	826	3,061	2,251	851	70	2,319	12,119
Washington	3,788	550	1,144	4,737	2,312	1,774	92	2,308	16,705
West Virginia	841	158	235	1,646	1,346	402	17	1,078	5,723
Wisconsin	1,737	454	417	2,789	1,501	1,177	44	1,785	9,904
Wyoming	401	89	143	672	372	310	174	250	2,411
District of Columbia all*	2,087	359	439	1,932	343	1,856	376	277	7,662

* [illegible] banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
[illegible] less than $500,000. Figures may not add to totals due to rounding.

Domestic office loans of national banks, by states, September 30, 1983
(Dollar amounts in millions)

	Total loans, gross	*Loans secured by real estate*	*Loans to financial institutions*	*Loans to purchase or carry securities*	*Loans to farmers*	*Commercial and industrial loans*	*Personal loans to individuals*	*Other loans*	*Total loans less unearned income*
All national banks	$628,592	$185,736	$41,992	$7,732	$18,461	$232,469	$120,525	$21 677	$619 561
Alabama	5,780	1,633	207	19	90	1,888	1,761	183	5 530
Alaska	1,004	407	16	—	1	408	168	3	1 000
Arizona	7,090	2,093	618	2	401	1,887	2,004	85	7 017
Arkansas	4,123	1,418	205	75	194	1,393	753	85	4 033
California	102,995	40,297	6,578	1,083	3,612	31,404	15 386	4 634	102 792
Colorado	8,651	2,682	246	126	578	3,084	1,708	227	8,614
Connecticut	5,350	1,735	317	22	15	1,876	1,203	182	5 216
Delaware	2,114	147	2	2	1	79	1,883	1	2 113
District of Columbia	4,886	1,680	411	27	1	1,658	605	504	4 833
Florida	20,584	8,241	625	75	99	5,163	5,987	396	19,926
Georgia	8,305	2,014	383	40	47	2,957	2,695	171	8 032
Hawaii	95	46	0	0	—	30	18	0	95
Idaho	3,024	857	260	18	345	813	700	31	2,992
Illinois	53,244	11,149	4,949	995	1,178	26,449	6 668	1,856	52,786
Indiana	10,002	3,702	723	76	296	2,678	2,389	139	9,761
Iowa	3,973	1,105	110	75	848	976	792	66	3,953
Kansas	4,230	842	152	97	777	1,413	891	59	4,192
Kentucky	5,182	1,531	291	76	255	1,579	1,349	101	5,052
Louisiana	7,439	2,174	188	57	62	2,836	1,930	192	7,244
Maine	909	376	1	—	3	283	235	12	908
Maryland	5,572	2,283	185	34	44	1,869	1,062	94	5,501
Massachusetts	12,554	2,899	1,371	99	33	6,062	1,847	243	12,377
Michigan	16,422	5,530	1,072	40	154	6,013	2,715	898	16,359
Minnesota	15,230	3,968	728	719	823	6,398	1,929	666	15,086
Mississippi	3,408	1,133	127	51	94	1,004	923	77	3,283
Missouri	7,988	1,980	737	179	373	2,936	1,636	148	7,908
Montana	2,033	503	19	1	335	727	427	20	1,993
Nebraska	4,281	647	186	88	1,440	1,007	809	104	4,262
Nevada	1,534	705	51	—	14	344	410	10	1 482
New Hampshire	1,365	483	15	2	1	411	441	12	1 296
New Jersey	14,445	5,437	646	49	10	4,651	3,359	293	14 091
New Mexico	2,718	701	105	11	141	1,051	674	35	2 650
New York	80,072	15,548	9,767	1,075	503	35,107	12,858	5,213	78 892
North Carolina	11,678	3,099	588	49	163	4,392	3,114	274	11 495
North Dakota	1,516	365	15	1	333	519	264	18	1 509
Ohio	21,676	7,436	989	243	357	5,944	6,418	290	21 024
Oklahoma	10,491	2,820	434	243	691	4 283	1,511	510	10 360
Oregon	5,860	1,975	396	71	220	2,033	1,078	87	5 799
Pennsylvania	30,757	8,714	3,853	534	178	10,824	5,867	785	30 080
Rhode Island	3,059	921	189	1	—	1,312	494	143	3 027
South Carolina	2,853	767	34	4	44	887	1,087	31	2 738
South Dakota	5,519	522	11	1	690	654	3,581	60	5 496
Tennessee	7,025	1,973	367	64	103	2,542	1,737	240	6 881
Texas	64,449	18,092	2,869	1,063	1,681	30,730	8,380	1 635	63 535
Utah	2,937	1,298	29	24	62	819	659	46	2 910
Vermont	468	230	—	—	11	122	102	4	468
Virginia	8,756	3,363	123	46	143	2 049	2 827	206	8 349
Washington	13,216	3,860	399	39	573	5,348	2 607	390	13 116
West Virginia	3,074	1,302	61	7	13	569	1 089	34	2 925
Wisconsin	7,181	2,645	338	126	249	2,461	1 194	168	7 118
Wyoming	1,480	413	9	4	185	550	302	17	1 467
District of Columbia—all*	4,922	1,700	411	27	1	1 665	615	504	4 86[illegible]

* Includes national and nonnational banks in the District of Columbia all of which are supervised by the Comptroller of the Currency
NOTE Dashes indicate amounts of less than $500,000 Figures may not add to totals due to rounding

Outstanding balances, credit cards and related plans of national banks, September 30, 1983
(Dollar amounts in thousands)

	Total number of national banks	Credit cards and other related credit plans	
		Number of national banks	Outstanding volume
All national banks	4,734†	1,998	$30,167,639
Alabama	84	27	161,554
Alaska	5	4	48,988
Arizona	4	2	484,997
Arkansas	73	10	35,393
California	136	102	5,311,110
Colorado	202	163	491,650
Connecticut	14	7	266,352
Delaware	13	10	1,570,518
District of Columbia	18	14	112,287
Florida	189	75	1,050,869
Georgia	60	27	701,766
Hawaii	3	1	2,815
Idaho	7	5	89,317
Illinois	402	162	2,687,457
Indiana	115	74	369,684
Iowa	99	43	242,208
Kansas	155	25	117,633
Kentucky	77	27	154,354
Louisiana	59	19	290,261
Maine	9	8	37,679
Maryland	25	10	61,500
Massachusetts	66	52	377,585
Michigan	124	86	930,282
Minnesota	202	125	158,547
Mississippi	34	3	73,140
Missouri	123	43	517,714
Montana	55	26	18,317
Nebraska	122	33	166,917
Nevada	5	1	37,708
New Hampshire	30	24	42,703
New Jersey	79	55	363,150
New Mexico	43	9	100,786
New York	108	57	3,645,831
North Carolina	20	17	617,427
North Dakota	40	21	11,871
Ohio	158	106	1,009,659
Oklahoma	209	47	162,723
Oregon	7	4	248,098
Pennsylvania	200	51	613,108
Rhode Island	5	4	96,531
South Carolina	17	12	170,236
South Dakota	29	11	3,230,405
Tennessee	72	15	260,409
Texas	854	196	1,061,410
Utah	7	4	93,513
Vermont	11	3	8,541
Virginia	62	23	531,893
Washington	23	11	938,633
West Virginia	104	20	54,985
Wisconsin	124	100	329,734
Wyoming	52	24	7,391
[illegible]	19	14	112,287

* [illegible] District of Columbia, which is also supervised by the Comptroller of the Currency.
† [illegible] banks, two in Florida and one in Wisconsin, or the two national banks which failed [illegible]

National banks engaged in lease financing, September 30, 1983
(Dollar amounts in thousands)

	Total number of national banks	*Number of banks engaged in lease financing*	*[illegible]*
All national banks	4 734†	1 021	$9 178 [illegible]
Alabama	84	17	32 832
Alaska	5	2	4 821
Arizona	4	1	105 976
Arkansas	73	15	22 747
California	136	35	3 345 610
Colorado	202	77	129 947
Connecticut	14	2	45 095
Delaware	13	0	0
District of Columbia	18	5	27 660
Florida	189	28	72 508
Georgia	60	13	128 177
Hawaii	3	1	1 253
Idaho	7	3	65 821
Illinois	402	82	117 911
Indiana	115	32	157 959
Iowa	99	24	12.607
Kansas	155	32	17 421
Kentucky	77	14	130 770
Louisiana	59	10	67 217
Maine	9	1	2 936
Maryland	25	7	89 527
Massachusetts	66	14	508 746
Michigan	124	18	259.005
Minnesota	202	54	157 443
Mississippi	34	6	12 320
Missouri	123	31	115 855
Montana	55	17	4 31[illegible]
Nebraska	122	41	66 878
Nevada	5	1	25 169
New Hampshire	30	2	824
New Jersey	79	15	122 569
New Mexico	43	19	5 270
New York	108	23	629.841
North Carolina	20	7	353 461
North Dakota	40	14	6 617
Ohio	158	56	470 753
Oklahoma	209	73	33 177
Oregon	7	2	92 050
Pennsylvania	200	17	374 313
Rhode Island	5	2	212 141
South Carolina	17	2	19 119
South Dakota	29	8	1 168
Tennessee	72	19	43 241
Texas	854	98	407 313
Utah	7	3	98 768
Vermont	11	0	0
Virginia	62	6	67 4[illegible]
Washington	23	9	375 863
West Virginia	104	14	8 704
Wisconsin	124	31	[illegible]4 861
Wyoming	52	18	[illegible] 904
District of Columbia all†	19	5	[illegible]660

* Includes the nonnational bank in the District of Columbia which is also supervised by the Comptroller of the Currency.
† Does not include the national noninsured trust banks, two in Florida and one in Wisconsin, [illegible] reports, one each in Oklahoma and Texas

Total loans and leases past due at national banks, by states, September 30, 1983
(Dollar amounts in millions)

	Number of banks*	Type of loan					
		Real estate	Commercial and industrial	Personal	All other	Total domestic loans†	Foreign
Reporting national banks	4 701	$9.375	$17.005	$3.143	$4.054	$34.277	$8 608
Alabama	84	53	75	55	20	216	—
Alaska	5	16	31	3	1	50	
Arizona	4	108	138	45	76	367	20
Arkansas	73	80	77	16	16	196	
California	134	3 296	2 942	371	1 521	8 140	2 546
Colorado	202	122	292	47	54	550	
Connecticut	14	69	128	40	18	255	9
Delaware	13	6	2	65	2	78	
District of Columbia	19	114	80	12	34	242	65
Florida	171	295	255	115	52	731	24
Georgia	60	63	122	47	19	256	34
Hawaii	3	1	3	1	—	6	
Idaho	7	44	70	17	11	142	
Illinois	402	505	2 726	210	394	3,919	758
Indiana	115	149	110	54	50	385	10
Iowa	99	43	44	18	32	161	1
Kansas	155	29	49	22	27	146	
Kentucky	77	82	88	29	14	227	12
Louisiana	59	87	230	58	14	397	—
Maine	9	15	9	6		31	
Maryland	25	65	62	21	7	158	43
Massachusetts	65	119	276	63	54	515	271
Michigan	124	281	289	52	56	701	49
Minnesota	202	215	370	60	82	764	120
Mississippi	33	62	54	27	25	173	
Missouri	123	87	214	52	63	432	94
Montana	55	25	33	14	14	99	
Nebraska	122	24	38	20	52	174	
Nevada	5	23	25	6	12	67	
New Hampshire	30	17	16	9	—	45	
New Jersey	76	207	176	61	19	471	9
New Mexico	43	17	67	17	12	125	
New York	107	696	2,147	450	425	3,729	3,749
North Carolina	20	57	171	46	43	317	57
North Dakota	40	13	30	7	17	81	
Ohio	156	338	318	136	77	894	31
Oklahoma	209	130	429	51	65	726	
Oregon	7	95	164	23	59	341	6
Pennsylvania	200	351	531	143	124	1,167	179
Rhode Island	4	35	105	14	17	170	8
South Carolina	17	18	33	17	8	79	
South Dakota	29	19	33	146	40	244	
Tennessee	72	90	104	45	19	268	2
Texas	853	468	2.568	218	200	3,535	375
Utah	7	164	49	20	12	246	
Vermont	11	11	10	2	1	25	
Virginia	62	131	69	57	8	272	3
Washington	23	271	853	58	138	1 324	120
West Virginia	103	63	41	36	3	146	
Wisconsin	122	89	203	25	41	379	11
Wyoming	51	21	54	15	6	116	

* [illegible] three national [illegible] trust companies, two banks that failed to file September 1983 reports, banks with no loans [illegible] of the report date in the [illegible] bank in the District of Columbia

† [illegible] Real estate, Commercial and industrial, Personal and All other past due loans and leases is less than the Total domestic because non[illegible] are not [illegible] by loan type by banks filing the abbreviated Report of Condition, and as a result are counted in the total figure only.

NOTE: [illegible] A blank space indicates that the state has no national banks with foreign offices.

Average national banks' percent of loans past due at domestic offices, by assets

	Assets in millions of dollars									
	Less than $10	*$10 to $20*	*$20 to $25*	*$25 to $40*	*$40 to $100*	*$100 to $300*	*$300 to $900*	*$900 to $5 000*	*$5 000 or more*	*All national banks*
Real estate										
December 1982	4.3	4.4	4.5	4.3	4.0	4.6	4.8	5.4	6.0	4.4
March 1983	3.3	4.3	4.7	4.4	4.1	4.6	5.0	5.6	6.8	4.3
June 1983	3.1	3.9	4.5	3.9	3.7	4.0	4.3	4.6	5.5	3.9
September 1983	2.9	3.9	3.8	4.2	3.6	4.0	3.9	4.2	5.4	3.8
Commercial and industrial										
December 1982	4.5	5.1	4.8	5.2	4.9	5.9	5.8	6.5	6.5	5.2
March 1983	4.5	5.1	5.3	5.1	4.9	6.0	6.4	6.6	7.5	5.3
June 1983	3.5	4.7	5.1	4.9	4.5	5.3	6.2	6.6	7.1	4.8
September 1983	4.5	4.9	5.6	4.9	4.4	5.3	6.0	6.2	7.7	4.9
Personal										
December 1982	3.1	3.6	3.9	3.7	3.4	3.1	2.7	2.8	2.7	3.4
March 1983	2.6	3.6	3.8	3.5	3.3	2.9	2.7	2.8	2.4	3.3
June 1983	2.4	3.5	3.6	3.3	3.1	2.6	2.7	2.3	2.3	3.0
September 1983	2.5	3.4	3.5	3.4	3.1	2.6	2.4	2.4	2.2	3.0
All other										
December 1982	3.0	3.4	3.3	3.3	3.3	3.5	3.7	3.7	4.7	3.4
March 1983	2.6	3.4	4.1	3.3	3.8	4.3	4.0	3.6	5.6	3.7
June 1983	2.1	3.0	3.9	3.1	3.2	3.7	2.9	3.4	4.5	3.1
September 1983	3.0	3.3	2.8	2.8	3.2	4.2	3.5	3.2	4.3	3.3
Total loans										
December 1982	3.5	4.3	4.5	4.6	4.5	4.5	4.5	4.9	5.4	4.4
March 1983	3.0	4.5	4.9	4.8	4.7	4.6	4.9	5.1	6.2	4.6
June 1983	2.7	4.1	4.5	4.5	4.4	4.1	4.5	4.8	5.7	4.2
September 1983	2.9	4.1	4.5	4.6	4.3	4.1	4.3	4.4	5.6	4.2

See notes at end of tables.

Average national banks' percent of loans past due at foreign offices, by assets

	Assets in millions of dollars			
	$300 to $900	*$900 to $5,000*	*$5,000 or more*	*All national banks*
All foreign office loans				
December 1982	6.9	8.5	5.6	7.6
March 1983	11.5	8.9	5.7	8.4
June 1983	17.9	8.9	7.8	9.6
September 1983	23.2	11.2	8.9	11.2

NOTES

These figures include non-accrual and past due loan and lease financing receivables

Past due loans—These items are (1) single payment notes 30 days or more past maturity; (2) single payment notes with interest due at specified intervals and demand notes on which interest is due and unpaid for 30 days or more; (3) amortizing real estate loans and closed-end monthly installment loans and lease financing receivables in arrears two or more monthly payments, or, if scheduled other than monthly, when one scheduled payment is due and unpaid for 30 days or more, (4) open-end credit accounts on which the customer has not made the minimum monthly payment for two or more billing cycles, and (5) unplanned overdrafts outstanding 30 days or more after origination

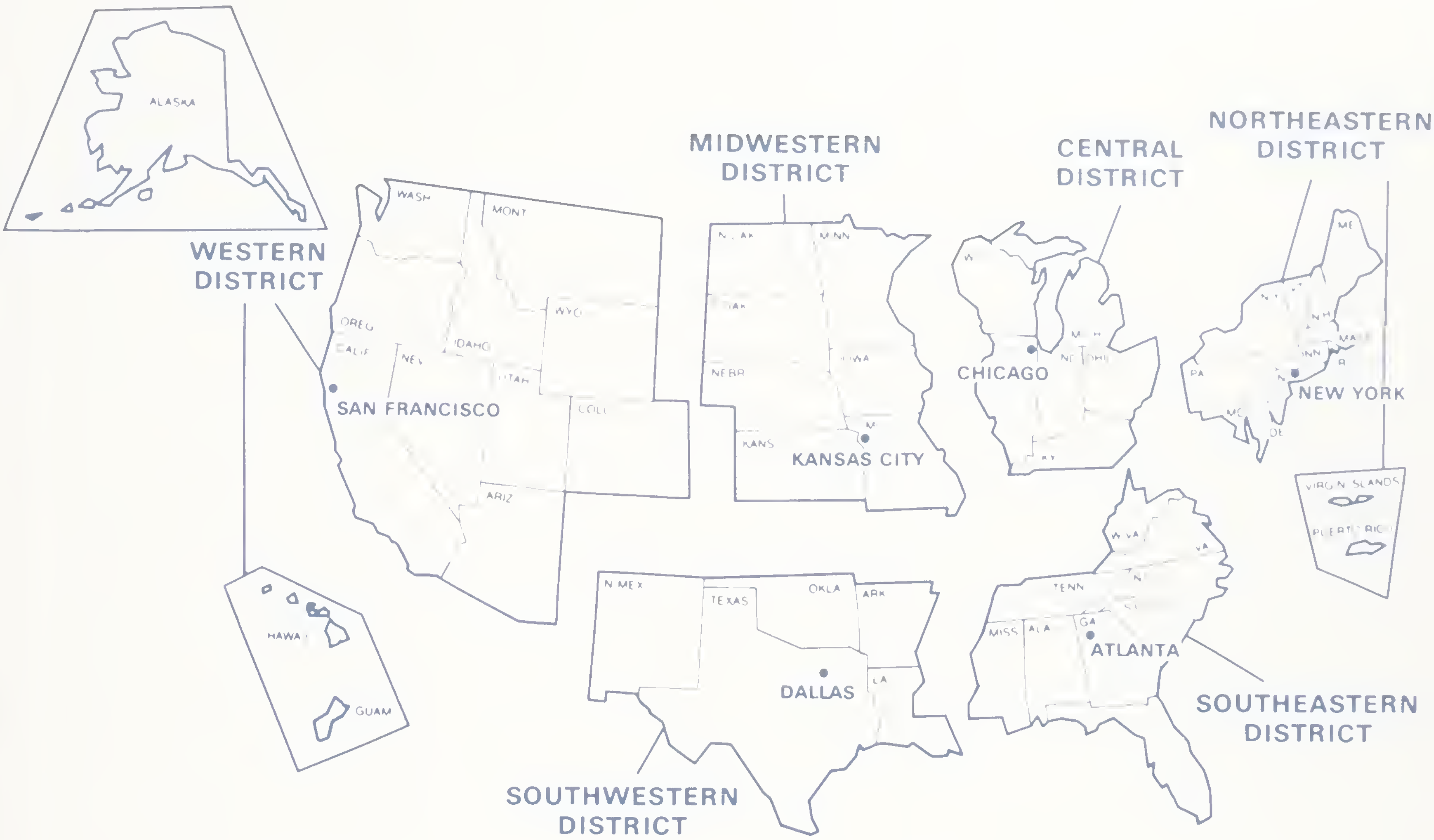
Non-accrual loans—These items are (1) those maintained on a cash basis because of deterioration in the financial position of the borrower, and (2) those on which principal or interest has been in default for a period of 90 days or more unless the obligation is both well secured and in the process of collection, in which case it is considered merely past due.

Average banks' percent of loans past due—Percentages reported are averages of individual banks' percentages of loans past due with each bank accorded the same weight regardless of size, those individual bank percentages are based on dollar value of loans past due. All figures are as of the last day of the month indicated.

Loan categories—The loan categories for this table correspond to those for the report of condition except for "Other loans." "Other loans" includes loans to financial institutions, loans for purchasing or carrying securities, loans to farmers and all other loans not included in the specified categories.

Data for prior periods, based on slightly different definitions, may be found in the *Quarterly Journal*, Volume 2, Number 1, pp 229–232

Index



Northeastern District

New York District Office
1211 Avenue of the Americas
Suite 4250
New York NY 10036

FTS	8 265-3495
Commercial	212 944 3495

Southeastern District

Atlanta District Office
Peachtree Cain Tower
Suite 2700
229 Peachtree St NE
Atlanta GA 30303

FTS	8 242 4926
Commercial	404 221 4926

Central District

Chicago District Office
Sears Tower Suite 5750
233 South Wacker Dr
Chicago IL 60606

FTS	8 353 0300
Commercial	312 353 0300

Midwestern District

Kansas City District Office
911 Main St Suite 2616
Kansas City MO 64105

FTS	8 758 64[illegible]
Commercial	816 374 64[illegible]

Southwestern District

Dallas District Office
1201 Elm St Suite 38[illegible]
Dallas Tx 75270

FTS	8 729 44[illegible]
Commercial	214 767 44[illegible]

Western District

San Francisco District Office
44 M[illegible]
Suite [illegible]
San Francisco CA [illegible]

FTS	[illegible]
Commercial	[illegible]

Comptroller of the Currency
Administrator of National Banks

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ATTN RESEARCH LIBRARY